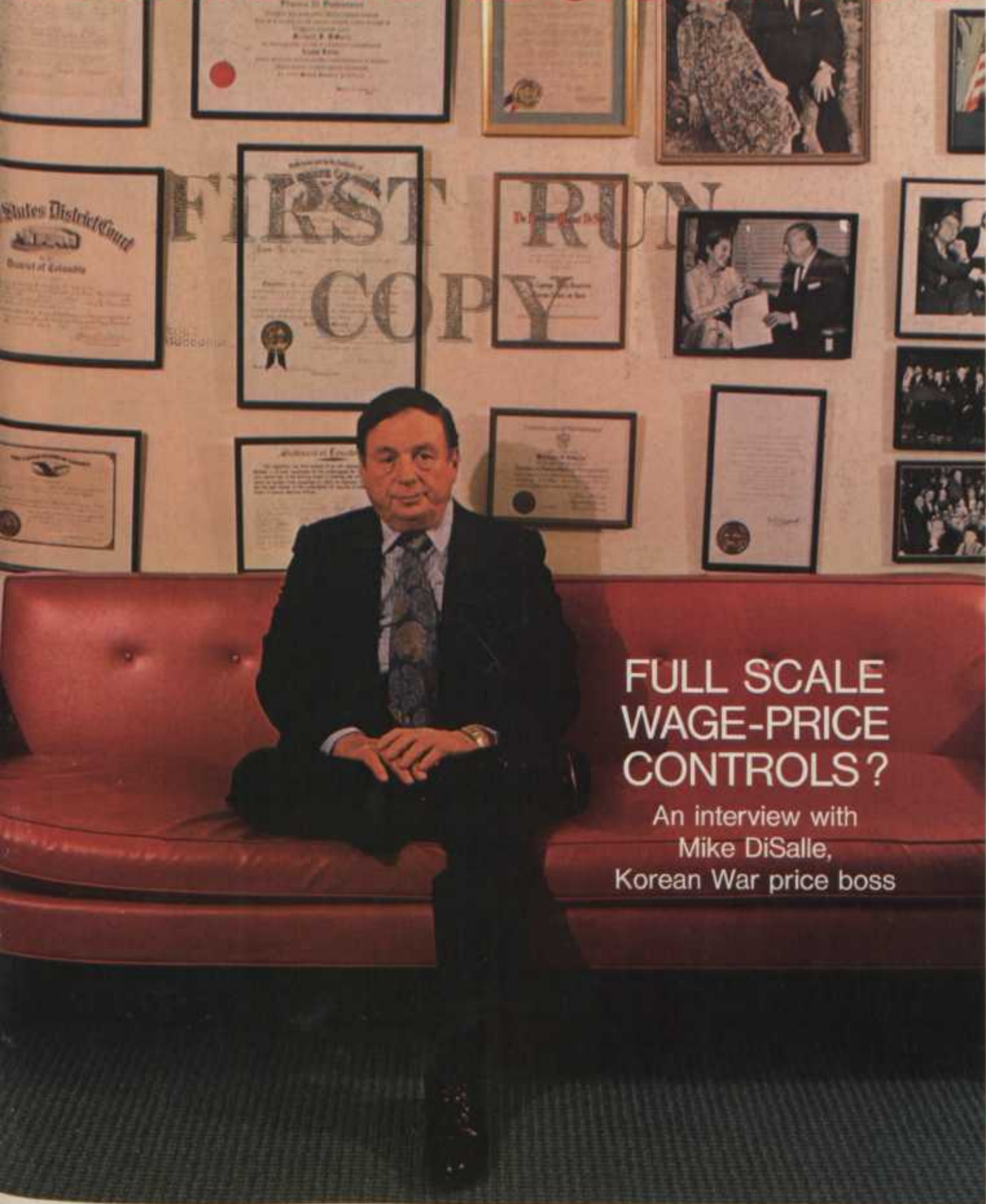


A USEFUL LOOK AHEAD FROM WASHINGTON

OCTOBER 1971

Nation's Business



FULL SCALE WAGE-PRICE CONTROLS?

An interview with
Mike DiSalle,
Korean War price boss



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Nation's Business

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Cover photograph by Yoichi Okamoto

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Memo From the Editor

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D. C. 20006

Whatever you think of President Nixon's new economic program, you'll no doubt be interested in the opinions of your fellow businessmen.

Public opinion polls show broad support for Mr. Nixon's actions but, until now, no one has zeroed in on the reaction of businessmen. You'll find our exclusive report on page 24.

This article represents the results of a special survey we made of business leaders after the President's Aug. 15 announcement. A balanced cross section of all types and sizes of business was included.

Actually, we were in the midst of our regular quarterly survey of business prospects when Mr. Nixon

we expect that you will. Naturally, he leans toward somewhat the same type of controls he administered. We do think his views are interesting and worth knowing since there is always a possibility things will go that way, despite the President's distaste for mandatory controls.

Our interview with Mike is on page 32.

• • •

"Phase II" after the freeze could also turn out to be some sort of tripartite board dealing with wages or prices or both. Union leaders lean strongly in this direction, seeking to have a hand in all the decisions. They favor a board representing labor, business and the public.

One such review board already exists to oversee wages in the construction industry. The President set it up earlier this year when construction wages and costs were skyrocketing.

It, too, is worth examining, even though it may not be directly comparable to whatever may be established in coming months.

A Washington economic consultant, Bernard F. Zuccardy, who specializes in the construction industry, finds fault with the board's operation so far, and doubts that such a mechanism is effective. His views, which again are his own, are on page 38.

• • •

What then should businessmen support?

To wrestle with the question, the Chamber of Commerce of the United States assembled an *ad hoc* committee made up of members from its regular Banking and Monetary, Fiscal Policy, and Labor Relations Committees. On this group's recommendation, the Chamber's Executive Committee took the position that the President's actions generally were necessary even though businessmen deplore controls.

The Chamber urges a transition policy that will lead to restoration of a free market. In the meantime, it supports continuation of the government's Cost of Living Council as the wage-price authority, rather than tripartite boards. The reasoning is that government cannot turn over its responsibility to sharply divided groups.

More importantly, the Chamber strongly recommends that long-range spending and fiscal policies be more restrained and that the imbalance between labor and management relations be corrected to prevent cost-push inflation.

Like President Nixon, we believe America can be great.

But it will take common sense and hard work.

Jack W. Boaldrige



Editorial assistant Virginia Nida with a small sampling of responses to our survey on how the wage-price freeze is affecting businessmen.

dropped his bombshell. Obviously, the more than 600 answers we had received were not valid. So we quickly fired out the special questionnaire.

The responses were overwhelming, and also overwhelmingly in favor of the new program.

If you all are right, 1972 should be a better year as a result of the President's actions.

• • •

What happens after the freeze expires is, of course, the subject of all sorts of speculation.

To get one expert point of view, we interviewed Mike DiSalle, the colorful Ohio politician who headed the last price control program during the Korean War. We don't necessarily agree with his prescription, nor do

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Letters

Blunt Comment on Blount Article

• Your publication of Postmaster General Winton M. Blount's article on pornography ["Let's Put the Smut Merchants Out of Business," September] was an irresponsible act. Some people might take seriously such meaningless stuff as:

"... We accept the sanctity of the human spirit and of the human body."

"So pornography is... an act of violence against the human spirit."

Even granting for a moment that we knew what is meant by the "human spirit," we search the article in vain for any evidence that pornography would do it violence.

Evidence, as a matter of fact, is remarkably absent in this article. There are only assertions and pontifications.

Mr. Blount would, apparently, favor putting a man in jail simply on suspicion. At least he says, "it is certainly possible to suggest that an inclination toward antisocial behavior may be reinforced... by pornography."

He would jail the pornography merchant just on this possibility! It were better we brought back the *lettres de cachet*.

HARLAN WHITE
Chicago, Ill.

• I sent the following to Mr. Blount: Great! Just great!

Your article on the smut merchants is a personal credit to you and a great gift to every American.

I thank you, Mr. Blount.

J. J. J. SCHLASS
Alton, Ohio

To companies' defense

• Re "The New Proxy Warfare" [August]. As a small stockholder in a number of companies, I feel rather strongly regarding the activity of Rodney B. Shields against selected companies. Nothing constructive is contributed by his actions. His particular type of frustration does, however, add unnecessarily to the expense of corporations and ultimately damages the stockholder and consumer.

WILLIAM W. ZELLER
Beverly Park, Md.

• "The New Proxy Warfare" was a disservice to American businessmen, because it assumed that they are (1) resistant to change, (2) defensive about social goals and (3) militaristic in their outlook.

Surely you know by now that hundreds of American firms have answered the cries for help from the poor, the disenfranchised, the alienated. Surely you know by now that far from being "back seat drivers," social activists—civil rights leaders, conservationists, college professors, scientists and social workers—sit in management and policy positions at several corporate headquarters.

Instead of whipping up the reactionary fears and dark suspicions of corporate mossbacks, which your piece tried to do, why not write an honest article about those significant changes already taking place within major companies? Why not address yourself to the corporate leadership that has heard the thunder and decided to meet the challenge, openly and honestly, for the good of society?

Why not, in short, quit pretending that social activism is an evil plague—a series of "potshots at corporate management"—and admit instead that the social accountability of business is worth an honest effort?

THOMAS D. BOYD
Director of Special Projects and Urban Affairs
American Stock Exchange
New York, N.Y.

Muddled waters

• "Torrent of Trouble" [August] is well written and defines very clearly the frustrations which we in industry are having in attempting to satisfy the public and state and the federal officials.

Our company has submitted well over 200 Rivers and Harbors Act permit applications, representing an initial outlay in fees alone of over \$20,000. The time and effort spent in obtaining data to complete the initial Part A of the applications was well in excess of this sum.

We are presently completing Part B. This again will be a tedious task,

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Orlando...by Willy Mucha



particularly since the ground rules are far from well defined.

Above all this, of course, is the fact that we have no idea as to standards which we must finally meet. As you pointed out, the Environmental Protection Agency has given up any attempt to set such standards and each application apparently will be handled on an *ad hoc* basis. Certainly this is not the way to do business nor does it help us in planning to do our part to clean up the nation's waterways.

We in the coal industry—and I am sure we speak for other industries—certainly hope some rationale will be introduced in the whole process before too long.

G. L. BARTHAUER

*Director,
Environmental Quality Control Department
Consolidation Coal Co.
Liberty, Pa.*

• "Torrent of Trouble" touched on many of the problems we encountered in our sincere effort to comply. We have asked for clarification of conflicting "parameters" and have not as yet received replies.

I have talked with many people who are committed both professionally and personally to solving our environmental problems and we protest vehemently the position attributed to EPA Administrator William D. Ruckelshaus on a nationwide television program: "Industry didn't cooperate at all."

The problems before us in this area present some most interesting chal-

lenges and will be remedied only if positive leadership and coordination is supplied at appropriate governmental levels with accurate reporting.

J. T. KROON

*Corporate Facilities Engineering Manager
Voluntary Industries, Inc.
Grand Rapids, Mich.*

• "Torrent of Trouble" is a more apt description of the condition of our nation's waterways after years of industrial and municipal pollution than of the 1899 Act's permit program.

This country has suffered greatly in a financial sense—reduced fishing yields, loss of recreational facilities, decreased property values—as a result of water pollution. I must suggest that the implication of the article that it is unjust for our nation's industries to have to expend a substantial amount of money to abate water pollution is nothing less than an abdication of responsibility.

In order to give the readers a better perspective of "Torrent of Trouble," I would like to amplify the statement by one person quoted in the story.

Robert Coughlin from the Environmental Protection Agency was quoted as to the large amount of money which has gone into and will continue to go into the pollution abatement effort. However, by observing a statement of Mr. Coughlin on another occasion, one readily sees that the money does not represent all that much.

He indicated that all the money to be spent by industries represents

approximately "0.10 of 1 per cent value added . . . a slight capital investment."

Mr. Coughlin, who has spent many years in the field of industrial waste management, commented that the permit program is "a great thing." He explained that the complex procedures are necessary, since in order to "solve aquatic problems, the damaged areas must first be defined so that specific responsibilities for halting the damage may be worked out."

My personal feeling is that the resurrection of the Act and the establishment of the permit program represents a most important development in federal antiwater pollution efforts. Any costs which may result from the utilization of this statute are indeed reasonable when compared to the benefits which this country will accrue from again having clean water.

MICHAEL J. HARRINGTON

*Member of Congress
Salem, Mass.*

Dissents on Alaskan oil

• Re "America Must Have the Alaskan Oil" (September), it seems to me that the tremendous increase in American energy consumption is being foisted upon the people by the two-faced energy companies, which warn of a so-called "energy crisis" while doing their best with Madison Avenue techniques to step up energy usage.

In the long run, it would be better for everyone, energy companies included, if we began planning for a society in which incessant growth is not necessary—one in which population, energy consumption, GNP, etc., would be held at steady, near-optimum levels.

To assume that all these parameters can continue growing indefinitely is complete folly. We must stop looking forward only as far as the next decade, or the next year, or the next dividend period.

There are also smaller points I would take issue with. Although selling oil to Japan would by itself improve our balance of trade, why should we sell oil to a country which is still fighting the war, albeit not with guns in the Pacific but with products in the world markets? Also, if we are really heading toward an energy crisis, as we are being led to

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Letters continued

believe, isn't the exportation of energy somewhat ludicrous?

LAWRENCE CORRADO

Assistant Professor of Environmental Sciences
The University of Wisconsin—Green Bay
Manitowish County Campus, Manitowish, Wis.

• I think someone who reads your magazine should get a less biased and less stilted picture of what is actually at stake in Alaska.

First of all, how do you know business will be any better a housekeeper than the government was at Umiat? How can anyone as far away from Alaska as most of us are believe what the companies tell us about the safeguards they're going to take? The companies are doing it because they have to, not because they want to. It is hard, at this distance, to find anything that doesn't point to a story of "complete exploitation" by companies interested in profits, and not in tundra or reindeer.

At one point you say the revenue from the pipeline is of utmost importance to Alaska. Isn't the revenue derived from viciously cutting down redwoods needed by California?

And the ultimate question which you and practically everyone else fail to bring up is: Why take the oil at all? Our present oil supplies are adequate. The question is one of population and not one of future power needs (and, in effect, profit needs).

I can only echo Mr. Wooldridge's comment ["Memo From the Editor," September]. I hope government officials—and everyone else—do read your article.

STANLEY H. ODDSON
New York, N.Y.

Who's that, again?

• As a result of the publication of the excellent article "The Future of Farming" by Secretary of Agriculture Clifford M. Hardin in your August issue I hear that Assistant Secretary of Agriculture Clarence D. Palmby is being advised by his colleagues that "he never looked better."

I've told my good friend Clarence Palmby that I'm inclined to agree, because the individual pictured with Secretary Hardin on page 37 bears a strong resemblance to me.

KENNETH D. NADEN

Executive Vice President
National Council of Farmer Cooperatives
Washington, D.C.

• The distinguished gentleman identified on page 37 of your August issue as Assistant Secretary of Agriculture Clarence D. Palmby is a dead ringer for Kenneth D. Naden, executive vice president of the National Council of Farmer Cooperatives.

Mrs. Palmby assures me that the gentleman pictured is not her husband.

CLARENCE D. PALMBY
Assistant Secretary of Agriculture
Washington, D.C.

[Editor's Note: Oops! Nation's Business erred. Pictured below are Mr. Palmby and Mr. Naden.]



Mr. Palmby

Mr. Naden

Gov. Hall's tax position

• I would like to take exception to one point in your article "Taxes: Still Headed in the Same Direction" [August].

You state that: "After campaigning on a platform of no new taxes, Oklahoma Gov. David Hall obtained legislative approval of increases in levies on gas and oil production, on corporate and upper-bracket personal incomes and on liquor."

Gov. Hall campaigned on a platform of no general tax increase. The income tax bill simplified Oklahoma tax reporting by aligning it with the federal system and removing the federal income tax exemption.

This reform actually resulted in tax relief for a majority of people. It caused many in upper brackets, who previously had paid no state taxes, to start paying a nominal tax. Oklahoma still remains one of the low tax states in the nation. The increase was not general.

The oil and gas levy, likewise, was not a general tax increase—being restricted to producers of petroleum. The liquor levy, also, did not fit into the general category.

JOSEPH H. CARTER
Press Secretary
Oklahoma Governor's Office
Oklahoma City, Okla.

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Executive Trends

BY JOHN COSTELLO
Associate Editor

- BAD guys are good news
- The widow's plight
- Fitting the test to the job
- Tax breaks if you move

BAD guys can save you good money

BAD meaning Buck-A-Day, that is.

More than half a dozen companies have found BAD works.

"The program has a simple goal," says George J. Schmidt, president, Industrial Motivation, Inc.

"Namely, to get each employee to try to find a way to cut costs on his job by a dollar a day.

"That may sound like small potatoes, but it can add up to pretty big spuds.

"Say you have 1,000 employees, who work 250 days a year. You could save up to \$250,000 annually."

You're not likely to bat 1,000, of course. But BAD has paid off well for companies big and little.

A New York maker of precision equipment with 500 employees had a BAD month. He'll save more than \$100,000 from employees' cost-cutting ideas.

A Midwest maker of abrasive products put \$600 into a BAD program. He says he will save \$78,100 the first year.

AMF, Incorporated tried BAD out in one of its smaller plants in Summerville, S. C.

"Suggestions poured in," says Lou Backer, AMF's manager of employee development. "We got over 200 ideas.

"For every \$1 we invested in BAD, we saved more than \$10."

Mr. Schmidt's Industrial Motivation, Inc., a New York consulting firm, designed that BAD program—and others.

"We used lots of gimmicks to get employees to be BAD guys," Mr. Schmidt says.

"Like posters, booklets, charts and a newsletter—called *BAD News*, of course.

"One issue spelled out how to have a BAD week at home to pare household costs."

The main emphasis is on what the employee can do on his own—or with

his supervisor's help—to save a buck a day.

"Not all the ideas are good," Mr. Schmidt says. "But a lot are."

The man in charge of one company's motor pool discovered the company cars ran as well on regular gas as on the high-test they'd been using.

A computer programmer combined two jobs and saved four hours a week in processing time.

One employee—a machine operator—came up with a great idea. It would cut way down on scrap.

"Why didn't you mention it before?" his boss asked.

His reply: "Nobody ever asked me."

What does she do now?

The widow usually must look frantically for help.

Often, her late husband handled all the family financial planning. If so, she's apt to be in deep trouble.

That's what the Life Insurance Agency Management Association found in a recent survey.

"Few widows have a businesslike summary of vital information they need," a LIAMA spokesman says. "Usually, they're shielded from it by well-meaning, but ill-informed, friends and relatives."

Here are a few questions that a widow should be able to answer, LIAMA says:

- How many copies of the death certificate are needed?
- Are Social Security benefits automatic?
- What information will life insurance companies need to settle a claim?
- Are federal estate tax deductions allowed for funeral expenses?
- What property is subject to the jurisdiction of the probate court?

"But the chances are she won't know the answer to any," LIAMA comments.

These questions, and host of others,

are answered for her in a 40-page booklet titled: "What Does She Do Now?" It's available from most insurance agents.

"Unfortunately," LIAMA says, "businessmen's wives are as unprepared as any others for a husband's death.

"But they have many more matters to handle than other widows.

"All executives know the need to plan ahead for contingencies.

"But what they do as managers they frequently fail to do as husbands and heads of families."

Fitting the test to the job

You'd better.

Or the U. S. Equal Employment Opportunity Commission may drag you into court.

"You can't even require an application to have a high school diploma," says Jean M. Palermo, placement testing expert, "unless you can prove it's essential to the job.

"That's been the case since 1964, when civil rights legislation laid down that rule. But what some don't realize is that even requiring IQ tests is risky.

"You must have proof that those who score high also perform well on the job. Otherwise you can be accused of discrimination—using yardsticks that measure something besides ability to do the job.

"If challenged, an employer can successfully defend only a test that measures skills essential to the work."

Apart from complying with the law, such tests are sound practice, says Mrs. Palermo, manager, industrial systems laboratory division, Science Research Associates, Inc., Chicago.

"Walk into any well-run company," she says.

"You'll find the most rigid specifications for materials—and constant testing to make sure the final product meets strict quality controls.

"In short, the company is trying to make sure that the raw materials and the final product do what they're supposed to do.

"But the same company often has very loose or ill-defined standards for



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Tennessee Walking Sticks

My friend Willard Walton in Lafayette hunts these Tennessee hills for twisted, knotted-up tree limbs. Then he trims them down into fine walking sticks. Most are 34 to 37 inches long. If you're real tall or a mite short, let me know so I can look for a special size. Ask for handle or knob. They're \$10 either way. Please add \$1.00 for postage and handling.

Jim Fanning

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Executive Trends *continued*

the people it hires. Yet the employees are its most important asset."

Sometimes, Mrs. Palormo suggests, the wrong standards are set.

"Requiring a diploma or a high IQ score, may mean you get highly qualified people. But it also guarantees that you're missing some, less qualified, who could also prove a real asset."

From bombers to booster bloomers

Shoplifters work short hours.

They're busiest from 3 p.m. to 6.

They have slick gimmicks, like "booster bloomers"—extra large to hold lots of loot. How do you foil them and some of the other threats—from bombers and burglars to industrial spies—that businessmen face? "Security for Business and Industry" (\$8.30 postpaid; No. 372; Nation's Business Books, P. O. Box 2772, Clinton, Iowa 52732) has some useful tips.

What to do if the plant burns down

No, don't commit hara-kiri.

At least, John O'Leary didn't.

His factory—or much of it—did burn down. He got the word from the New Brighton, Pa., fire department at 3 a.m.

The word was that a \$500,000 blaze had wiped out most of the warehouse and plant of Tuscarora Plastics, Inc. President O'Leary was shaken, but not shattered.

He had the company, a foam plastic producer, back in full swing in less than two months.

Mr. O'Leary replaced the burnt-out shell with a 7,546-square-foot metal building. The new structure is "better than the old," he says, "but blends in with what's left of it."

It cost Tuscarora only \$5.25 a square foot.

"That's the beauty of it," says Don Malcom, general manager for marketing, Armco Steel Corp.

"Metal buildings cost less than conventional block and brick. And they're quicker to put up. The parts are factory-made and ready to assemble."

"You put the buildings up like an

Erector Set. And you can add on the same way.

"Americans used to think of them architecturally as all Early Quonset Hut. But they've learned to take a second look."

Tax tips for mobile managers

It's a great American custom.

Take the bright, up-and-coming executive—and season him.

That means, bounce him from job to job, often from city to city.

In many a corporate aerie, this is the word: "Don't promote, if he won't relocate."

Come tax time, however, and the rolling stone may get a break. Many of his moving expenses are deductible.

Here's what IRS requires.

Generally, you must move 50 miles or more. And you must work full-time in your new job for at least nine months of the following year.

If so, you may deduct:

- Cost of moving household goods and personal effects from your old home to the new. This includes packing charges and insurance.
- Expense of traveling for yourself and family, plus meals and lodging en route.
- House-hunting costs in the new location, before you move there. This, too, covers round-trip travel costs, food and lodging.
- Rent on temporary quarters you or your family occupy after the move, up to 30 days.
- "Transaction costs" entailed by the move. That covers a lot of things.

For example, if you canceled an old lease, or sold or bought a home. Your lawyer's fees, broker's fees, appraisal fees, title costs and loan placement charges are deductible—up to \$2,500.

There's a ceiling, too, on house-hunting and temporary quarters' costs. Combined, it's \$1,000.

"These are valid deductions, whether the company moved you—or you moved on your own to take a new job," says attorney James E. Cheeks, author of "How Proper Planning Can Reduce Your Income Tax" (\$2, Pilot Books).

He adds: "Of course, it doesn't work if the company foots the bill."

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They know the value of exports.

Today, with world trade at an annual level of \$279 billion—and growing at an average annual rate of 11%—the stakes are high.

What's in it for you. Better export opportunities now are yours—opportunities that promise new markets and new avenues for company growth and profit. Exporting can give you longer production runs, lower unit costs, and extra volume to offset seasonal and cyclical fluctuations at home.

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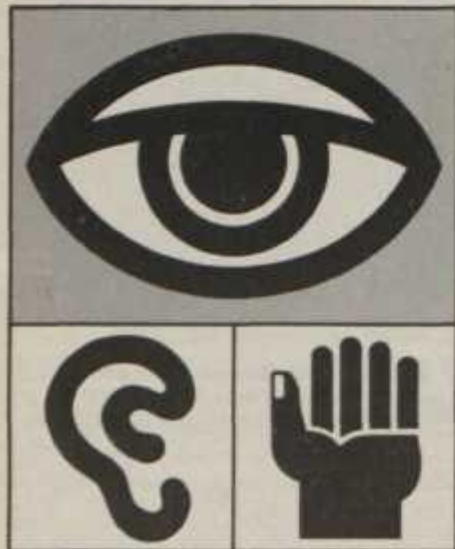
VIS COMMUN

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The American revolution in visual communication has been a long time coming.

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Why is visual communication so effective?



Simply because sight is the most efficient of man's senses. Research

indicates that 83% of all human learning is achieved through sight. (Verbal communication, upon which we rely so heavily, accounts for only about 10% of learning.)

If it's so effective, why is it so neglected?

Many of the problems visual communication solves are thought of as "little" problems. They're often overlooked and ignored until they've cost unnecessary time, effort and money. Here are a few of the kinds of problems, and how visual communications could have prevented them:

□ A piece of machinery needs costly repairs because someone unknowingly let the temperature rise.



□ An entire shipment is below standards because the wrong materials have inadvertently been used.



□ An important customer wastes 15 minutes looking for a department in a plant.



□ A key employee is disabled for three months because of a forgotten safety rule.



□ A burglary occurs because a side door was left unlocked overnight.



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fill in the coupon, send it in, and we'll send you a copy.

It will be a valuable aid in helping you stop overlooking the time, effort and money you could be saving with visual communication.



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Is the Customer Hearing From You?

So you think you have an administrative system that's foolproof. That's great. But are you really sure it is?

The emphasis on the need to be aware of consumer problems and desires in business today has also heightened interest in the proper ways to respond to customer inquiries.

Many of these procedures are quite basic.

But you'd be surprised how often the basics can be overlooked or bypassed, with the result that correspondence often is not moving through the administrative system the way it should.

Here's a brief check list you can start with in satisfying yourself that your procedures are up to standard, plus a few basic rules and guides adopted by many businesses.

- Are letters to the public of a responsive tone?

Off-pitch tones can be easily spotted. They can suggest arrogance or obsequiousness. Letters should not be argumentative or high-handed. Don't overuse superlatives. Make the tone simple, dignified and friendly. Empathy is good here—if I were a customer, what would I think of these letters?

- Are letters plainly written for ease of understanding?

Usually such letters are short, simple and direct, and have strength and sincerity.

- To what extent are forms and guide letters used?

There is no specific percentage but a more detailed investigation should be made if you notice several repetitive letters which could be form letters.

ALFRED PALMER, author of this article, is a management analyst with the National Archives and Record Service, Kansas City, Mo.

- How many correspondence reviews are there prior to signature?

There shouldn't be any, as a general rule, but at most, two. Three is really a crowd.

- What is the turnaround time of letters to the public?

As a general rule, try to have an answer back by one week from date of receipt. If delivery takes two days, this gives three days for handling.

- What is the average time between receipt in mail room and delivery at action desk?

Elapsed time should not exceed two hours—maximum.

- Is the mail handled excessively instead of being taken directly to the action desk?

Ways in which mail is delayed include logging it in and opening it in the mail room. Very little mail should be tightly controlled—only that with the very highest priority. Letting action desks open their own mail spreads the work and expedites it.

- Is outgoing mail dispatched regularly throughout the day?

You may be horrified by what you find here. Be sure there isn't a work bottleneck at the end of the day in the mail room.

- Is mail processed and mailed the same day it is ready?

This is obvious, but holdovers may overstrain the system. There should not be a backlog at the end of the day.

Is your check complete and is everything A-OK? Or are a few repairs in order? Either way you'll feel better just knowing.

But keep your check list. Then go through it again every six months or so and you'll never feel half-confident again.

END

REPRINTS of "Is the Customer Hearing From You?" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

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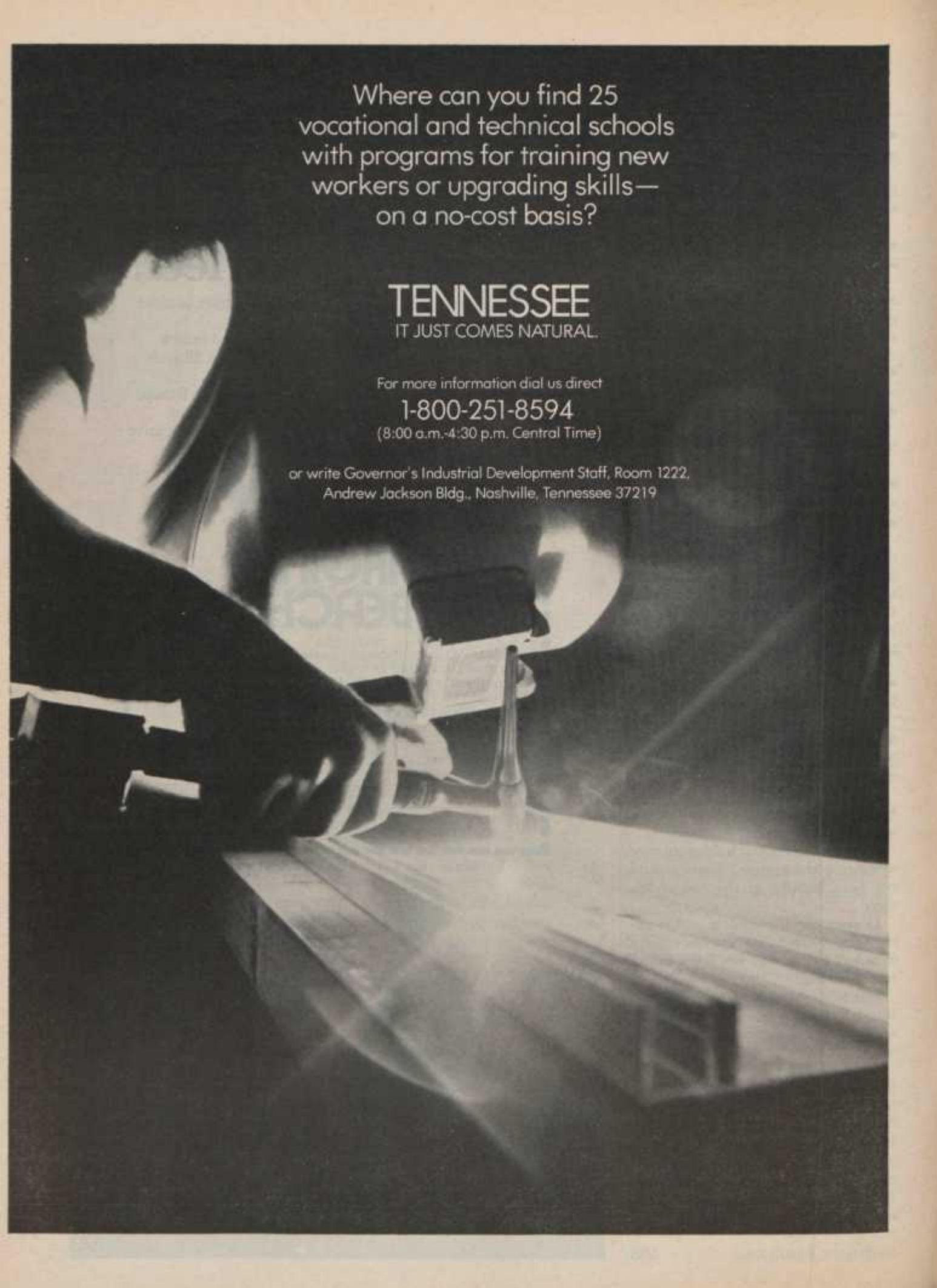
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- 1,134 beaches and bathing areas.
- 2,264 boat-launching ramps and 87 marinas.
- 1,349 picnic areas, some with pavilions and playgrounds.
- 374 areas open in season to hunting.

There is fishing, mainly for trout, at most of the reservoirs.

The FPC has launched studies on protection and enhancement of fish and wildlife.

While many of the projects contain recreational facilities that have been open to the public for many years, FPC regulations were amended in 1963 to require that all plans for new hydroelectric plants include recreational facilities.

An FPC booklet, "Recreational Opportunities at Hydroelectric Projects Licensed by the Federal Power Commission," describes the present facilities.

It contains 25 maps showing location of the recreational areas in relation to major cities and highways. The maps are keyed to show identification of the utility that operates the hydro project and the types of recreational facilities available.

A copy of the booklet is available from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402, at \$2 per copy. **END**

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Art for the Worker's Sake

Supergraphics may be the answer for big manufacturing plants anxious to pep up the spirits of workers engaged in humdrum jobs.

What are supergraphics? An art form involving huge pictures—frequently of symbols—painted on walls. The idea is to liven up dreary industrial settings.

Lee Wexler of Integraf, a Los Angeles design firm, says:

"Improving the workers' environment is the next logical step in the Industrial Revolution. A man can quickly lose his sense of identity in an environment that would dwarf Lew Alcindor and Wilt Chamberlain."

Supergraphics, according to Mr. Wexler, can minimize the overpowering effects of towering gray concrete walls and giant, impersonal machines.

"Little research has been done to understand what effect physical en-



Supergraphics are designed to break monotony and pep up employees.

vironment has on a worker's productivity and motivation," he explains. "As a result, management either disregards decorating the production

and employee-recreation areas or dismisses innovative design ideas because of a lack of budget."

This artistic approach to improving work environment is starting to catch on in California. Supergraphics are on prominent display at International Paper Co.'s huge new Facelle division plant in Oxford, at Sunkist's new international headquarters building in Sherman Oaks and at the El Segundo office complex of Computax, a computerized tax information service for accountants.

The cost of using supergraphics to improve a worker's environment and his productivity at the same time is relatively small, according to Mr. Wexler.

"In a typical plant engaged in electrical engineering and assembly, for example, over-all capital investment per employee is about \$780," he says. "For an additional \$25 per employee, graphics can brighten up a drab working space and involve the worker in a positive manner."

Students Profit From Classroom "Drilling"

Half the people in the room have a bankroll of \$30,000 each to wildcat for oil and each of the remaining half owns a tract of potentially rich oil land valued at \$15,000.

When the weekly oil report arrives there is a scramble of activity as landowners, bankers, geologists and financial analysts start selling, trading and leasing.

These oil-oriented "businessmen" are really eighth grade students in an earth science course at Norris L. Brookens Junior High School in Urbana, Ill. They're playing a semester-long game which helps them understand the complexities of the oil business. It's the brainchild of

their instructor, Ronald W. Prescott, himself a geologist.

Mr. Prescott launched the oil games two years ago when he decided that earth science, as then taught, was wholly out of the grasp of 13- and 14-year-old youngsters. Now, there is excitement in the classroom and the youngsters consider this the "hottest" class at Brookens.

In the oil game the students learn about full banking services, land leases and land title transfers, taxes and security analyses.

They have a court system, elected government officials and a newspaper which reports the week's drilling results.

"Each class forms and manages its own highly specialized version of the petroleum exploration and production business," Mr. Prescott explains. "I

give them the basic operating rules—they take it from there."

At the end of a semester's game Mr. Prescott grades each student on the quality of his geological map work, the extent to which he has been able to increase his net worth from the working capital he started with and the over-all manner in which he played the game.

Mr. Prescott's game plan is typical of the teaching approach at Brookens. Says Principal Darrel Helm:

"I do not believe children should be 'forced' into learning subjects by rote. They should be awakened to knowledge by means of creative and stimulating teaching. And I try to foster this approach in all my teachers. So far, we are having some very pleasant and rewarding experiences."

continued on next page

Taking a One-World Approach to the Young

A middle-aged college alumna, engaged in a heated "rap" session with a student radical, finally gave up in disgust and complained, "I just can't hear you. Your hair is in my ears."

George W. McKinney Jr., secretary of New York's Irving Trust Co., and a senior vice president in its investment administration division, says this kind of turning-off of the Now Generation is rather typical today and also is rather unfair. He explains:

"Only too frequently we can't hear what they're saying because we feel their appearance is unattractive, their music sounds terrible, their idea of art is ludicrous. To a great extent, what we object to in this context is the fact that they are different. We need to remind ourselves that while being different is not necessarily good, it is also not ipso facto bad."

Mr. McKinney believes the "them as opposed to us" view of the Now Generation is highly exaggerated.

In his opinion, comparatively few



"What we object to . . . is the fact that they are different."

youngsters are interested in violence and other unsavory activities frequently attributed to them. In fact, he adds, some of his young friends tell

him that an increasing number of those in their age bracket are becoming disenchanted with the tactics of the radical minority.

"The vast majority of the younger generation have talents, knowledge, motivation and orientation that would leave our generation far behind," Mr. McKinney says. "I'm very fortunate to work with a group of highly intelligent, well educated young people in my bank. My pride in them is nearly boundless, and I think justifiably so."

According to Mr. McKinney, the country is witnessing a major shift in societal objectives. The young are playing an important role in this shift, he says, because youth and change go hand in hand. He adds:

"The young people can take a new job, undertake a new career, point their lives in a new direction without giving up an old career in the process. You and I can't do that. What we can do—and we have not done it as well as we should—is to offer them more effective leadership and guidance."

But, he says, it's not "their world versus ours"; it's the world of all of us and "the only world we have."

Running Marathon's Miniature Airline

It takes Mike Murphy a half-hour to tell you what he looks for in an individual before he hires him.

When you inspect the results it's obvious he's a pretty good judge of people.

Michael C. Murphy is manager of the aviation division of Marathon Oil Co. in Findlay, Ohio. He runs, in effect, a miniature airline with 31 young pilots, all neatly turned out in business suits.

Last month, the National Business Aircraft Association presented him with its annual award for meritorious service to aviation. The choice apparently was not a difficult one.

NBAA has a high opinion of Marathon's aerial operation, which not only transports company executives but aids in oil prospecting and in patrolling pipelines. Last year,

NBAA cited Marathon for 23,906,141 safe flying miles. Next was Ford Motor Co. with 18,256,019, followed by the 3M Co. with 16,769,705.

Mike Murphy began flying as a "barnstormer" in 1928. His first plane was an old World War I trainer—a biplane made of wood, wire and cloth, that had a maximum speed of about 75 miles an hour. Today, his fleet of 18 planes, which he began assembling for Marathon in 1946, includes two business jets which climb with 10 persons aboard at a rate of 3,700 feet per minute—more than half as fast vertically as that early trainer's forward speed.

"I look for a lot of things in a young pilot," he says. "I suppose the first thing is to see if his hands and feet are clean. Actually, of course, I make sure he's a first-class flier with all the right qualifications. And then I have to put a lot of emphasis on personality—to make sure he can handle our company

executives and the people who fly with us."

If a pilot comes to work some morning with troubles on his mind, Mike Murphy is apt to tell him to take the day off and go fishing.

Mr. Murphy has done about everything a person can do in an airplane. He was the first to take off from, and land on, the top of a moving auto. He was first to take off in a seaplane from land and bring it down on land. And he was first to take off and land an airplane upside down—in a craft he designed and built, which had landing gears on both top and bottom.

Mike Murphy flew the lead glider when American troops hit the Normandy beaches on D-Day in 1944. Seriously injured, he was the first invasion casualty returned to the U. S.

Now, aerial acrobatics are long in his past. In fact, he doesn't fly any more. He hung up his flight jacket four years ago when he turned 60.

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SBA Report

Occupational Safety and Health Loans: An Advance Look for Small Businessmen

The Small Business Administration this month launches a program that can benefit thousands of small businesses: the making of Occupational Safety and Health Loans.

Final guidelines have not yet been announced, but SBA has provided NATION'S BUSINESS with advance details on how the program will operate.

The loans are to be made as a result of the Occupational Safety and Health Act of 1970, which sets safety standards that businesses must comply with. The Act recognizes that new equipment or remodeling might be needed for compliance and that some businesses, especially small firms, might need loan assistance.

SBA has been authorized to provide the financing. The Department of Labor, or in some cases the states, will make the determination as to what a particular business must do to be in compliance.

A businessman may apply for a loan either after a citation for non-compliance, or in a voluntary effort to upgrade his plant and equipment.

SBA will make a long-term loan if the SBA administrator finds the firm is likely to suffer substantial economic injury without such assistance.

To qualify for a loan, the applicant must fit SBA size standards. Since 19 out of 20 of the 5.3 million firms in the nation are small enough to do so, only relatively large firms will be barred from participation.

There are no dollar limitations on the amount SBA may lend a firm under the program, but the firm must use private credit to the greatest extent possible before seeking an SBA loan.

SBA will guarantee bank loans under the program and also consider direct loans. The maximum term is 30 years.

When a plant operator voluntarily undertakes to upgrade equipment or a plant to meet established standards and wants to apply for a loan:

- He should obtain from a licensed professional engineer or architect a report covering the work to be done. This should cite the existing standards that need to be upgraded and include plans and specifications sufficiently detailed to show the work will bring the plant into compliance.

- SBA will submit the report to the proper office of the Labor Department or equivalent state authority for review and for a statement of adequacy of the proposed compliance efforts.

- When the report has been approved by the compliance authority and returned to SBA, the loan application can be completed.

If a plant has been inspected by federal or state authorities and needs SBA assistance to correct violations findings that will not be contested:

- The firm should obtain from a licensed engineer or architect a report covering work needed to correct the violations.

- This material, together with a copy of the citation, should be submitted to SBA, along with background material needed for the loan application.

- When the report has been reviewed and approved by the proper federal or state authority, the loan application can be completed.

If a businessman decides to appeal a citation alleging violation of the law, SBA will not consider a loan application until the appeal has been completed.

Sound Off to the Editor

Which Comes First—Profit or Problem-Solving?

How far should business go in assuming social responsibilities beyond its accepted mandate of production and profits and creating a viable economy?

That question has been debated for years.

Some say that the basic function of business is simply to produce maximum profits.

Others argue that business bears a major responsibility for solving most of the nation's social and environmental problems.

Milton Friedman, the eminent economist, disputes the argument that business should have a social

responsibility. In his book, "Capitalism and Freedom," he writes:

"There is only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

A growing number of corporate chieftains disagree, however.

Augustine R. Marusi, chairman and president of Borden, Inc., asserts:

"Business must seek goals that will help ease tensions and burdens now pressing down on this land, even if those goals may temporarily reduce

profits or slow corporate growth. Businessmen have a clear responsibility to lead."

Fred Borch, chairman of General Electric Co., comments:

"As we head into the Seventies, we sense a new wave of community involvement by industry that goes far beyond its own walls. We expect to participate in that wave."

"Businessmen everywhere must become submerged in community problems and involved in their solutions," says Chester M. Brown, former chairman of Allied Chemical Corp.

What do you think? Should business do more social problem-solving?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should business do more social problem-solving?

☐ Yes ☐ No

Comments:.....
.....
.....
.....
.....
.....

Name and title.....

Company.....

Sound Off Response

One for All

NATION'S BUSINESS readers appear to favor simplicity in keeping track of who is who.

Yeses outnumber Nos four to one in answer to last month's "Sound Off to the Editor" question—"Should each of us be given just one number?"

A surprisingly large vote includes such comments as:

"I'll buy that," "Absolutely yes," "Please," "As soon as possible," "Amen," "This would be great," "This is the only system—our present system is ridiculous," "Simplification would be wonderful," "Fewer cards in the wallet," "By all means," "Excellent idea," "If we have to have numbers, let's have just one," "I have had this idea for quite some time," "One-number system is an absolute must" and "Wow! That's the best idea I've heard in over 12 months."

On the other side, much comment centers on a fear that assigning one number to an individual—to supplant the variety he now has for such diverse purposes as Social Security, credit cards and driver's licenses—would accelerate a trend toward depersonalizing U. S. society.

Among the Yeses there is concern about insuring that the number assigned be permanent. George E. Harrison, director, Plateau Properties, Inc., Crossville, Tenn., advances an idea shared by others when he says: "It might be beneficial to tattoo the number somewhere on the body."

Crawford Anderson of Mart Trophy & Hobby Co., Tulsa, Okla., proposes that the number be the same as that for Social Security and suggests that new cards be issued every five years with an up-to-date picture of the card and number carrier.

Tom Byrne, mayor of Atmore, Ala., is a staunch backer of a one-number system. It would "greatly benefit the American public," he says.

T. J. Allen Jr., vice president, Georgia Power Co., Atlanta, Ga., writes in a vein similar to that of scores of respondents: "Yes, for the very obvious reason of simplicity. The opponents who argue that we are impersonalizing society are not being

realistic. What is being less impersonal about having a multitude of numbers? Let's have one number, and the sooner the better."

Extending use of the Social Security number is not the only idea proposed for producing that all-purpose figure. Devotees of a one-number system suggest use of digits denoting date of birth, or including the zip code of location of birth in the number, or including code digits denoting sex.

A. L. Reese, president, Gulfco Welding Supplies, Inc., Houston, Texas, says everyone's number should start off with his own initials, to be followed by a digit code showing date and location of birth. "The fact that some women might object because of date of birth should be overlooked," he says.

Here's a collection of Yes answers, followed by a collection of Nos.

Raymond Losi, Greyhound Food Management, Inc., New York City: "It is definitely the simplest and most realistic method for purposes of identifying the masses. Let's face it, there are just too many people for us to worry about impersonalizing society."

Lloyd Andrews, president, Carlisle-Andrews, Inc., Alexandria, Minn.: "We already notice a trend toward this in the insurance business. One number for all policies would simplify our job."

Dyan Elliott, Consolidated Rigging & Marine Supply Co., Inc., Jacksonville, Fla.: "Not only would it help society as it is today, but think of the money it would save. I recently lost my billfold containing driver's license, eight credit cards, Social Security card, library card, Army identification card and numerous others, all with different numbers. The difficulty I had in getting all those cards made over is too great to mention. Everyone has to have a Social Security card, so why not let that be the number?"

Beverly Genung, Burger Chef Systems, Inc., Indianapolis, Ind.: "We are doomed to be numbered for generations to come. Our city is now

using Social Security numbers on our driver's licenses."

L. L. Corry, The Amalgamated Sugar Co., Ogden, Utah: "As of a certain date all new births would automatically be assigned an identification number. No expenses should be incurred to change any old identifying numbers. Also, no central information system should be kept by number other than the person's name, birth date and other birth information."

Michael Tarnoff, Cutler, Yantis & Co., Chicago, Ill.: "As the computerization process progresses there will be more and more of these [numbers] to contend with. The time to do something is now, before it becomes even more overwhelming."

Robert C. Johnson, manager, School Products Co., Little Rock, Ark.: "Yes, the answer is so obvious that it deserves no further comment."

Howard Bernstein, president, Atlas Lift Truck Co., Schiller Park, Ill., says he is "absolutely" in favor of numbering everyone, "particularly if I can be No. 1."

On the other hand, M. H. Salmon, president, Salmon & Co., Inc., Birmingham, Ala., says: "Absolutely No! The average businessman is fed up with regimentation and impersonalization by an unwieldy, stupid, socialistic central government in Washington, D. C. The 'one-number scheme' is just what the dictatorial 'Feds' will demand."

Charles Martini, market manager, Colonial Penn Group, Inc., Philadelphia, Pa., writes that such a change "would be the first step toward establishing a dehumanizing national data bank."

"This serves no unfilled need. It is just another method to structure a citizen's life by the government."

Jack Skryd of Mutual of New York's Chicago, Ill., office writes pithily: "After the one-number system, Big Brother is next!"

And D. S. Mitshkun of Western Steel Co., Flint, Mich., says: "Please, let's put up a fight against any system that will only recognize a man as a number and not as a personality."

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QUARTERLY OUTLOOK SURVEY

The Impact of the

On balance, top executives appear to have warm feelings about the effect of the freeze and its companion measures

An overwhelming majority of top businessmen see improvement in the wake of President Nixon's new economic course.

The consensus of replies to a NATION'S BUSINESS outlook survey is that things can't help but be better, to one degree or another.

A special survey was taken after the President's announcement of immediate measures including a wage-price freeze, an import surcharge and a revolutionary change in the dollar's international status, and of proposals including an investment tax credit, an income tax break for individuals and repeal of the excise levy on autos.

Hundreds of answers to a survey questionnaire outdated by the President's action had already come in when the new questionnaire was mailed.

With much of the Nixon program in effect long enough for executives to have had time to make some assessment of its impact, NATION'S BUSINESS asked:

"In view of President Nixon's

sweeping economic program changes, what do you believe will happen generally to the nation's economy in 1972?"

A total of 330 ranking executives say they expect improvement, though the extent of their optimism varies.

Only 35 of the businessmen polled take a gloomy view. Ten express no opinion on the question.

Many respondents caution that the business outlook will continue on the bright side "if" certain things happen.

The answers of three executives are typical of scores of others.

A Texas banker, Lewis Bond, president of the Ft. Worth National Bank, writes: "I believe the economy will improve somewhat, but there are so many unknowns in terms of what will happen after the 90-day freeze that predictions are very difficult."

Says B. T. Rocca Jr., director and consultant with Pacific Vegetable Oil Corp., San Francisco, Calif.: "We expect the economy to continue to improve in 1972. We expect that the improvement will be gradual and that unemployment will remain above

A Sampling of Views From Business Leaders



Allan P. Lucht, president and chief executive officer, Servomation Corp., New York City, sees "slow recovery." The 1972 economy, he says, "might be compared to the fellow who's had a big lunch and learns his wife's cooked his favorite dinner. He'll eat, but he won't be rushed."



Orin E. Atkins, president and chief executive officer, Ashland Oil, Inc., Ashland, Ky., emphasizes that the Viet Nam War and military spending are the most important inflationary factors. "Until something is done about these factors there's little hope of controlling inflation," he says.

Nixon Program

the target rate of 4 per cent through the year."

George S. Eccles, president and chief executive officer, First Security Corp., Salt Lake City, Utah, predicts:

"Continued growth in real GNP, some decrease in the rate of inflation, some decrease in unemployment, and an increase in capital spending by industry."

A critical point in history

Here are other answers—some optimistic, some cautious and some pessimistic:

Taking a long look ahead, Robert S. Beaupre, president, Seattle-First National Bank, Seattle, Wash., writes that we are at a critical point in our economic history. "In the foreseeable future," he says, "we will be living in a definitely more controlled economy."

"I think the President's action was absolutely necessary, considering the pressure that was on dollars from other currencies. I think that, although somewhat late, this action

will effect our economy positively, curb the rate of inflation and stimulate exports."

Things will "substantially improve—if Congress concurs in Mr. Nixon's recommendations," predicts R. V. Guelich, a vice president of Montgomery Ward, Chicago, Ill.

"The economy will prosper," says Francis P. Lucier, vice president, The Black and Decker Manufacturing Co., Towson, Md. "A capital spending boom will follow the restoration of business and consumer confidence. Corporate profits will benefit from higher operating rates, lower tax liabilities and slower growth in labor costs."

"A steady but not dramatic upturn in consumer spending leading to moderate industrial expansion," is the prediction of J. W. Wilcock, president, Joy Manufacturing Co., Pittsburgh, Pa. He says the "latter will not begin until excess capacity is absorbed."

A. N. Haas, president, Bud Radio, Inc., Willoughby, Ohio, sees a "generally slight rise (approximately 5-7

per cent) over 1971, but still substantially below 1969."

The economy "probably will slow down and level off," says Neil W. Plath, president, Sierra Pacific Power Co., Reno, Nev.

"A 90-day freeze is not long enough to have a chance to do some good," says Edwin L. Jones Jr., president, J. A. Jones Construction Co., Charlotte, N. C.

And—

- Walter J. Jeffery, chairman, U. S. Fidelity and Guaranty Co., Baltimore, Md.: The economy "may stabilize" in 1971.

- Charles H. Kellstadt, chairman, General Development Corp., Miami, Fla.: "... Continue to improve."

- Bennett Archambault, chairman, Stewart-Warner Corp., Chicago, Ill.: "... Improve substantially."

- L. W. Menk, chairman, Burlington Northern, Inc., St. Paul, Minn.: "Increased volume and revenues in most segments of our business, especially coal."

- J. Henry Smith, president, The Equitable Life Assurance Society of



John D. Gray, chairman and chief executive officer, Hart Schaffner & Marx, Chicago, Ill., says the men's clothing firm "may have a continued profit squeeze activity." He sees a rise of 10 to 15 per cent in his sales, and perhaps 25 per cent in profits, in '72.



Robert G. Wingerter, president and chief executive officer, Libbey-Owens-Ford Co., Toledo, Ohio, feels that if President Nixon gets his way with Congress, resulting stimulation of the nation's economy will mean 8 per cent in real growth.



Walter S. Holmes Jr., president, C.I.T. Financial Corp., New York City, looks for 1972 "to be a very good year, despite a residue of unemployment in certain geographical concentrations." Continued relaxation of international tensions will help, he says.

The Impact of the Nixon Program *continued*

the United States, New York City: "I expect to see a pickup in the nation's real growth rate in 1972 and a significant dampening of inflationary expectations, though the latter is less assured."

• F. D. Watkins, president, Aetna Insurance Co., Hartford, Conn.: "Look for improvement in economy, some reduction in rate of unemployment, better trade balance, increased consumer spending."

Big ifs

Three executives who see big "ifs" in prospects for 1972 are George M. Gudefin, president, Guerlain, Inc., maker of perfumes in New York City; Warren S. Pease, president, F. B. Pease Co., Inc., food processing machinery manufacturer of Rochester, N. Y., and E. M. Stevens, president, Great Western Loan and Trust Co., San Antonio, Texas.

Mr. Gudefin hedges his expectation for great improvements by saying: "If labor behaves."

Mr. Pease writes that the economy will improve "providing everyone enters into the spirit of the thing. Everyone, or almost everyone, will enter into the spirit if Nixon cuts out the politics and does what is right just because it is right."

Mr. Stevens says improvements

will flow if Mr. Nixon makes his program "stick."

If this happens, he says, "our nation may well again feel confidence in national leadership, take our place in world affairs and enjoy unimagined prosperity."

NATION'S BUSINESS posed four other questions. Here is how opinions shape up:

Question 2: "By what percentage do you expect sales or volume of your business to change during 1972 as compared with 1971?"

Of 364 answering (not every executive responded to every question) only nine foresee a decrease and 38 expect no change. All others look for increases. For example, 37 executives look for a modest 5 per cent increase, 11 for a 6 per cent increase, 14 for 7 per cent, 22 for 8, 10 for 9 and a healthy 94 for a solid 10 per cent rise. Another 38 look for 15 per cent and 12 for 20.

Question 3: "How do you think your business will be affected if the wage-price freeze continues beyond November?"

(The questionnaire went out before President Nixon announced the freeze would end on schedule, to be followed by still undetermined steps.)

One hundred fifty-seven reply that their businesses would be helped, 69 say theirs would be hurt, and 99 feel theirs would be unaffected.

Question 4: "By what percentage do you expect your profits to change during 1972 as compared with 1971?"

Two hundred forty-seven see increases ranging up to more than 100 per cent, 30 simply predict increases, 72 say profits should remain about the same. Thirty-two foresee decreased profits.

Among those predicting increases and giving percentages, 22 look for a 5 per cent improvement, 47 for 10 per cent, 21 for 15 per cent and 26 for 20 per cent. There is a scattering of other figures and two predictions of a rise of more than 100 per cent.

Among the comparatively few predicting decreases, four say they are looking for a 3 per cent drop, three for 5 per cent, three for 10, three for 15, two for 20 and two for a drop of between 31 and 50 per cent. There's one prediction of more than 100 per cent.

Question 5: "What are the major factors affecting your business—either for the better or worse?"

Factors cited that affect companies



Robert T. Jackson, president, Phoenix Mutual Life Insurance Co., Hartford, Conn., feels the Administration is overly optimistic in its business outlook although he expects "a substantial improvement" in 1972. He believes insurance industry volume will rise between 5 and 10 per cent over 1971.



Howard O. McMahon, president, Arthur D. Little, Inc., Cambridge, Mass., says that a major factor affecting his consulting and research firm is "confidence of businessmen in the future economic climate." He looks for a 5 per cent increase in his firm's volume next year.



Frederic E. Crist, president, Burns International Security Services, Inc., Briarcliff Manor, N. Y., expects a gradual improvement in the economy in 1972. He feels confidence will aid growth. But its major effect, he says, probably will not be apparent until late in the year.

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The Nixon Program

continued

for the better are varied. The leading ones and the number of executives mentioning them: Demand for products, 25; general economic conditions, 27; government purchases and loan demand, nine each; consumer attitude, 12; home construction, six; new products, six.

Factors affecting business for the worse include general economic conditions, 66; inflation, 63; high labor costs, 56; imports, 43; high costs of materials, 37; high interest rates, 24; consumer attitudes and unemployment, 26 each; high taxes, 17; domestic competition and government regulations, 10 each; strikes and other union problems, 10 each.

Warmth toward the freeze

Though executives' answers to Question 2, about changes in sales or volumes of their business next year, tend to relate to the Nixon actions, not all do.

On the one hand, there are answers like that of C. Robert Yeager, president, L. G. Balfour Co., jewelry manufacturer of Attleboro, Mass., who predicts a 5 per cent increase for his firm and comments: "As we all know there has been plenty of money available to get the economy off dead center. Uncertainty on the part of the American people has been the main cause of the business slump and I think the President's recent message will reverse this."

On the other hand there are executives such as Rodney C. Gott, chairman, AMF, Incorporated, New York City, the large manufacturer of leisure and industrial products, and Richard L. Counts, president, Steuart Petroleum Co., Washington, D. C.

Mr. Gott expects AMF volume to go up 8 to 10 per cent, "due to the nature of the markets we are in and our efforts to more deeply penetrate them, and this has nothing to do with President Nixon's actions."

Mr. Counts predicts an expansion in his business of an unspecified degree "for reasons unrelated to the government's new economic program."

Answers to Question 3—relating to the effects on the executives' businesses of a longer price-wage freeze—are highly varied. A sampling:

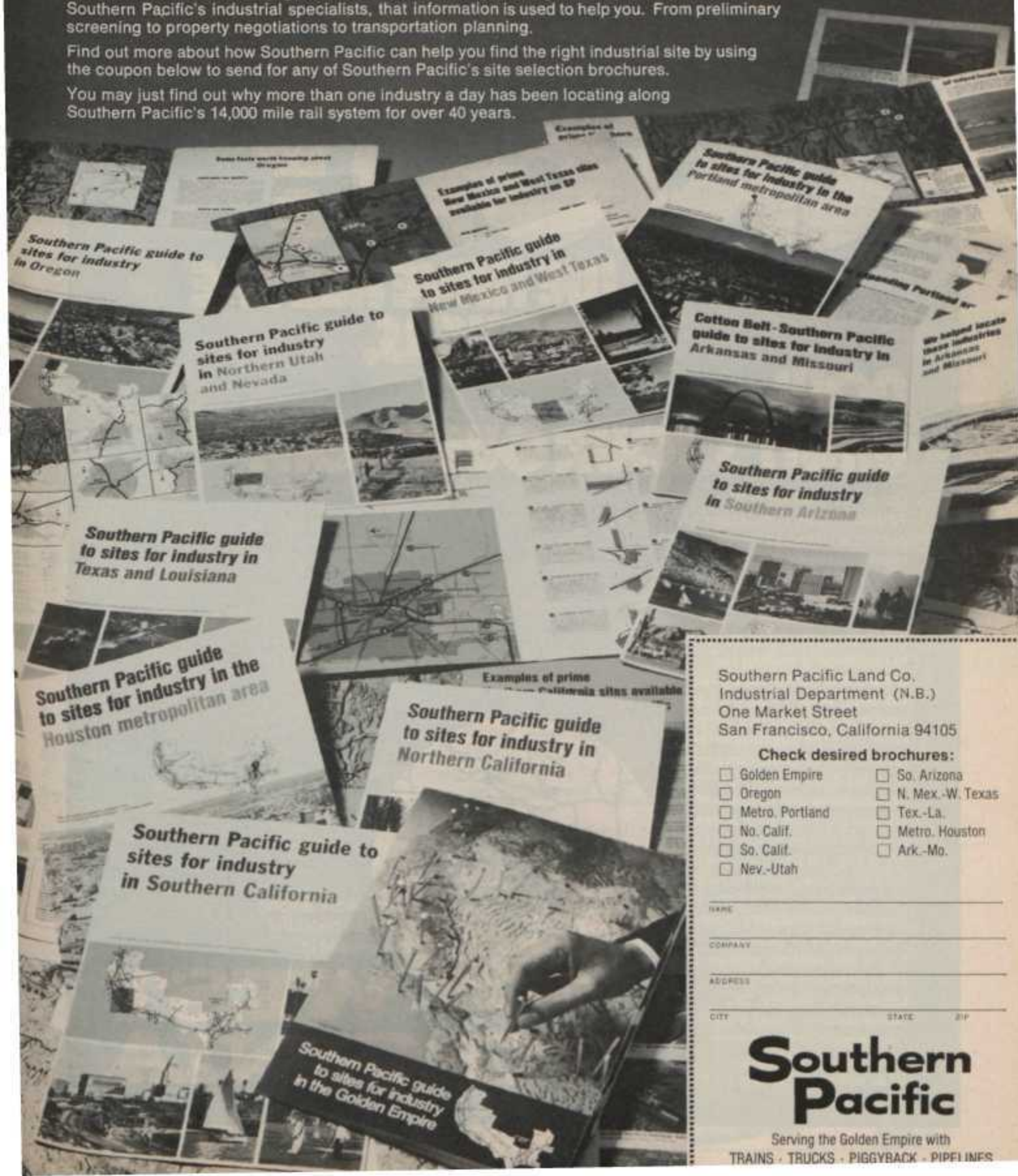
Alan Wolfley, vice president, Cerro

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Corp., New York City, diversified metals manufacturer: "This program cannot but help our general business. Though such a mechanism is mechanical in nature and eventually market conditions should determine the relationship, we are completely in accord with the temporary freeze even past November until such time as historic price-wage relationships are established."

"The over-all effect of a continuation could not help but be beneficial."

Ross D. Siragusa Jr., president, Admiral Corp., Chicago, Ill., electrical and electronics appliance manufacturer: The wage-price freeze "should help over-all profitability because the economy should be strong in volume. However, it will be difficult to recover increased costs incurred prior to the price-wage increase."

R. R. Roberts, vice president, Hanes Corp., Winston-Salem, N. C., manufacturer of women's hosiery and men's knitwear: A "prolonged continuation" would "adversely affect" Hanes. "Replacement 'guidelines' should take into consideration profitability of industries and 'fairness' of existing wages and prices, not wages and prices as of a date."

Jumbled profit picture

In answer to Question 4—relating to profits in 1972 as compared with 1971—H. R. Behlen, president, Behlen Manufacturing Co., Columbus, Neb., says he expects his profits to remain the same. "Profits are off," he adds, "because of general economic conditions. I can't see that the freeze would improve this."

C. G. Rodman, president, Grand Union Co., East Paterson, N. J., the large food retailing chain, looks for a 5 per cent drop in profits due to labor costs and local taxes which have increased "significantly."

On the other hand Harry J. Volk, chairman, Union Bank, Los Angeles, Calif., looks for a 10-15 per cent increase in profits due to a rising volume of loans.

John M. Martin, chairman, Hercules Incorporated, Wilmington, Del., sees 20 per cent better profits for Hercules in 1972, and here's why: "Higher sales volume, improving

profit margins, plus the anticipated investment tax credit."

Allen P. Stults, chairman, American National Bank and Trust Co., Chicago, Ill., looks for 7 per cent higher profits "due to an increase in deposits and increased loan volume, as well as continued strict cost controls."

H. R. Biederman, senior economic advisor, Lockheed Aircraft Corp., Burbank, Calif., says Lockheed profits will go "from a loss to a profit" because most losses of the deeply troubled defense contracting firm "have been written off."

And John W. Dwyer, president, American Seating Co., Grand Rapids, Mich., says, "We expect some profit improvement."

For better or worse

To Question 5—relating to factors particularly affecting executives' own businesses—Kagsuyoshi Naito, vice president, The Sumitomo Bank of California, San Francisco, mentions increased activities in home construction.

Ernie Handelsman, president, Joe Handelsman & Sons, Los Angeles, Calif., slacks manufacturer, notes large imports of cheaper, ready-made slacks from the Far East.

J. W. Marriott Jr., president, Marriott Corp., the Washington, D. C.-based hotel and restaurant firm, cites "the confidence in the economy." He expects his company's profits to improve by 15 per cent next year.

Hugh Mc. Evans, president, D. H. Holmes, the large New Orleans, La., department store, looks for expanded consumer buying and stabilization of expenses.

Jerome Ottmar, president, Amtel, Inc., Providence, R. I., conglomerate, optimistically looks for "considerable" improvement in his company's profits due to "resolution of some internal problems."

And John L. Gillis, senior vice president, Monsanto Co., St. Louis, Mo., maker of chemicals, fibers and plastics, sees help coming for the troubled textile industry. Factors affecting his business for the better, he says, will be "decreased pressure of low-priced imports, especially fibers, fabrics and apparel." **END**

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A black and white photograph of a dark, heavily damaged door. The door is covered in soot and has several large, irregular holes and areas of missing material, suggesting it has been subjected to fire. A rectangular sign is affixed to the center of the door. The sign has a double border and contains the text "CLOSED UNTIL FURTHER NOTICE DUE TO FIRE" in bold, capital letters. The door handle and lock mechanism are visible on the right side, also appearing damaged.

**CLOSED
UNTIL FURTHER
NOTICE
DUE TO FIRE**

You may learn more about insurance now that you have extra time on your hands.

Too few businessmen are aware of the value of a Business Interruption policy. Of those who are, and do buy one, too few really understand what they've bought.

What's worse, some don't even know that they don't understand it.

Few types of insurance raise so many questions after a loss has occurred. Few more clearly

require professional guidance. To show you what we mean, consider the following:

**What your policy means by
"Gross Earnings" is probably not
what your accountant means.**

It is important at the outset to remember that the language of insurance is unique.

When the policy refers to such things as "gross earnings," "value of production" or "net sales," it may not mean what you think it means. What it does mean is clearly spelled out in the policy and in the worksheets.

The trouble is, few buyers read them carefully enough. But even when following the policy's specific formula there are still things you might miss.

For example, in arriving at "net sales," did you know that certain items of expense, such as incoming and outgoing transportation charges, may be eliminated to reduce the amount of insurance you need? Or that you may be able to deduct expenses like power, heat or gas, provided they do not continue during the shutdown?

Another critical point is the fact that the policy refers to earnings in the 12 months *following* the loss. This means that you should estimate your future business as accurately as possible. So it's wise to review your figures at least every 6 months.

Which employees get paid during a shutdown, and for what?

The standard Business Interruption policy covers all payroll expenses. Or you can get an endorsement to cover only "officers, executives, department managers, employees under contract, and other important employees."

Question: who decides what "other important employees" means? The general rule is, they're important if they're needed to resume business efficiently and without delay.

But only you, not the insurance company, can really know in advance who will be needed. It might be a knowledgeable clerk. Or even a whole class of employees.

So your safest bet is to clarify who will be important now. Before the loss. And in writing.

And what about all your other employees? How do you decide whether to cover them or not? And who makes the decision?

The questions are too complex to cover adequately in an ad. But here are a few things to think about.

Even if you cover ordinary payroll, you're not committed to paying it out. You could use part of that money as a cushion against a long shutdown.

Remember that employees not covered (or not paid), and who apply for unemployment benefits, might give your unemployment insurance rate a painful boost.

And that when your percentage of coinsurance is at about 80%, the rate excluding ordinary payroll may be a lot higher than the rate including it.

Still with us? How about this? -

What if a fire had occurred at someone else's place?

Maybe you're vulnerable and haven't realized it. Do you depend on one supplier for a key item? Or on one customer for most of your sales? If so, what happens to you if something happens to *his* place?

What you should do first is build your defenses. Like locate alternate sources of supply. Consider stockpiling, making duplicate supplier tools—or even a reciprocal deal with a competitor.

Then, if you're still in danger, consider Contingent Business Interruption insurance. You can have it written to cover you against shutdowns either at your suppliers' premises or at your customers'.

Start by closely estimating how much your Gross Earnings would be reduced by damage at each of the locations you decide to cover. You can cover each separately, or get blanket coverage. Specify exact locations. If you list an office address and the loss occurs at a plant, you're not covered.

An interesting thought: insurance against power failure is also available. And it could be less expensive than buying stand-by electric generating equipment.

What does this all add up to?

First, what we have said here is just the tip of the iceberg. It is a sketchy outline of only a few of the problems.

The main message is worth repeating. Business Interruption insurance is usually necessary, and it's amazingly flexible. But it's complicated.

But the idea is not to frighten anyone away from a vital form of coverage. The thing that's scary is acting on incomplete information. No matter how much you know, it pays to consult a professional. A professional agent of a professional-minded company. Then, and only then, can you feel secure.

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Price stabilizer Michael DiSalle at a press conference in 1952.

Full Scale Wage-Price Controls?

An interview with
Michael V. DiSalle,
Korean War
price boss

When the Korean War broke out in mid-1950, millions of Americans rushed off to stock up on items they feared would become scarce.

Prices began to climb. Before the summer was out, Congress had given the President broad powers to set economic controls if and when he felt they were needed.

In December, President Truman appointed a director for the Office of Price Stabilization, authorized under those powers. The man he chose was a relatively unknown Ohioan then in his second term as mayor of Toledo—Michael V. DiSalle.

Also set up were other agencies—the Wage Stabilization Board, Salary Stabilization Board and Railroad and Airline Wage Board, and the Office of Rent Stabilization.

A month after Mr. DiSalle took

office, the President activated the machinery, ordering a wage-price freeze followed almost immediately by mandatory controls. Mike DiSalle found himself in one of the hottest spots in the federal government as the man in charge of enforcing price regulations.

He occupied that spot until February, 1952, when he returned to Ohio. Then, in November, he was back in the Washington whirl, becoming administrator of the Office of Economic Stabilization—supervising not only OPS, but the wage and rent regulators, too. He left government after President Eisenhower took office in 1953, and controls ended later that year.

With the United States now under another freeze, and alerted to the possibility of some form of controls in "Phase II," NATION'S BUSINESS asked Mr. DiSalle for his views on control



Washington lawyer DiSalle today, as he gives his views on controls from first-hand experience.

efforts past, present and future. Mr. DiSalle, now 63, is a busy and successful Washington lawyer. The walls of his office, where he was interviewed, are filled with pictures of men with whom he has worked closely over the years—men such as Lyndon Johnson, John Kennedy and Harry Truman—as well as with documents chronicling his long career, which has included the governorship of Ohio from 1959 to 1963.

You may not agree with all the observations that his first-hand experiences in one of the most hectic phases of his career lead him to make. But he's still expressing opinions as forthrightly as he did in some of his historic clashes on Capitol Hill 20 years ago.

In your time, controls started with a

freeze and now we have another. Why start with a freeze?

Usually the government is awfully late in doing what it should have been doing. So they are trying to catch up. In my day, the freeze was necessary because prices were moving awfully, awfully fast. The cost of living was going up at an annual rate of about 13 per cent.

The situation today is a little different than it was then. World War II was fresh in the minds of people. They were afraid of price increases. They were afraid of rationing, which we did manage to avoid.

Today, price pressures are largely psychological. It has also partly been a contest between labor and management as to who is going to stay ahead of the game.

A price freeze is important from

this standpoint, in that it brings the wage-price spiral to a halt. After the freeze, you go on to make necessary adjustments.

You have some inequities in a freeze, don't you?

Yes. This is a very volatile economy and things just cannot stand still. There are hundreds of thousands of transactions every day. These transactions are not all alike, and they are not all the same transactions that happened the day before. So a freeze catches people in distorted positions.

You have inequities in any kind of control program. The monetary control program had inequities and it continues to have inequities.

The degree of monetary policy that would have been required to stop the



Full Scale Wage-Price Controls? *continued*

wage-price spiral would have sent the country into a depression; I don't think there is any question about it.

The past use of monetary controls has helped cause unemployment problems.

You talk about inequities. Small business people really feel it when money is tight, because the lenders can find prime risks. The person who is trying to put his business together or trying to move forward is the one who gets hurt.

Do you think the economy should be turned completely loose after the 90 days of the present freeze run out?

No. There should be some administered controls. At the beginning there will be many, but as time goes on some of these areas will be released from controls.

What kind of areas do you think might be logically the first?

Maybe small operations. Many of the smaller companies are always living under a system of price control, because if the bellwethers in their particular industry don't raise prices, they can't. Many times they are held in check because of the lower price of

a larger competitor. This will continue.

And such things as canned rattlesnake meat; and we had chocolate covered ants we could decontrol. As well as sigma-oscillometers. I said at the time I thought it was easier to decontrol it than to learn how to spell it. It actually has very little economic significance.

What machinery do you think should be available when the present freeze expires?

They ought to be ready with some tailored regulations. And they no doubt will be.

Tailored in what respect?

Tailored to a particular industry. An over-all freeze is a pretty rough instrument. There should be a refinement of the freeze. Items would be taken out of the freeze and controls tailored to meet the economic needs of that particular industry.

You are talking of what sounds like a full scale, mandatory price control system. The President says he does not want a full scale system.

But who is he going to leave out? I mean you must take action in the areas where control is needed. We started right after the freeze. But at the same time we also began to decontrol some industries.

No doubt OEP [Office of Emergency Preparedness] has a whole schedule of regulations ready, but even if they were ready on paper they still would need to be updated for the particular industry.

We had industry advisory committees that were consulted on these regulations. In fact, we got a lot of guidance from these committees.

In your OPS days, some public support resulted from the nation being in the Korean War. Do you think controls will have public support now in peacetime?

Well, people are being terribly affected by the sustained increases in prices. They understand that.

And I think businessmen understand that inflation is beyond their control right now. You know, what's one man's price is somebody else's cost.

One thing that should be stressed is

that people should not expect too much too soon. It is like driving an automobile at 100 miles an hour. You have to brake it gradually. You just can't say it stops right here, or you're going to kill yourself.

But isn't that what a freeze does?

This is why you have to move in and thaw out certain areas.

How about profits? Some people want to control profits.

If you really control prices, you are in effect controlling profits.

You don't need a separate mechanism?

I don't think so. How are we going to measure profits?

Does that also apply to dividends?

Dividends are subject to profits. If you control prices you also control dividends.

How about interest rates?

What interest rates are we talking about? Are we talking about the interest we pay or the interest we get? You know, bank deposits—savings—are at an all-time high. Does anybody want interest cut on their deposits?

Have you given any thought to the charges that the stimulants in the President's program are a big give-away to business?

I really haven't gone into that.

... Such things as the job development credit.

I do not think that is going to become a terribly important item. Congress no doubt will approve some type of tax credit.

I think it is something that people can scream about but actually I believe it would be a business stimulant. It should help provide the jobs that are necessary.

If you have a price and wage program that is functioning you can pour some money into the economy and still keep inflationary pressures under check.

Would the same be true of repealing the auto excise tax?

Sure. It will stimulate purchasing. This has been one of our problems.

Do you think labor is going to come around more?

I think they will. You know, their members are hurt by inflation. A substantial part of the harm done by inflation is done to their members and to their pensioners. And they have to have a responsible position. I think they will have one.

I understand you favor the idea of a tripartite board—business, labor and the public...

On the wage side?

Yes.

Definitely.

But not on prices?

Pricing is not a labor function. They look at prices and they take prices into consideration when they are negotiating for wages, but it is not a function of labor to establish prices.

Prices and wages ought to be kept separated. I don't think one board can administer both or should. There is always a tendency to trade.

In OPS, we never told anyone in advance whether or not they could obtain a price increase if a wage increase was approved. That meant they had to fight the battle on the wage line. Then, if they felt they could justify a price increase, sometimes they might be able to obtain one, but many, many times they couldn't. Or maybe they would secure a partial increase to offset the hardship.

But what would happen to a man if the wage board allowed his employees to get a big increase and then the price agency did not allow him a price increase?

He would probably cry a lot.

I remember one fellow who came into my office. I was pale; I never got out of the office. He was nicely tanned, just back from Florida, and was complaining how poorly he was doing. He had a hardship with the price of sugar going up and wanted to pass the increase through. You know, I was not very sympathetic, especially since he didn't seem to realize that a pass-through for sugar was already allowed.

You did get into this pass-through business, didn't you?

Oh, sure. One amendment finally

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Full Scale Controls

continued

made it mandatory to permit a pass-through on cost increases. And this really hurt the program for a time.

If you passed through all the cost increases you didn't really have much control over prices?

That's right.

That included labor costs?

Yes.

That's where the costs are pushed up. In OPS, your only assignment was trying to hold down prices during the war. But now the President has the problem of cooling inflation and promoting economic growth at the same time. Can he do both at once?

I think he can. He has to. We keep talking about scaling the war down in Viet Nam. If every American were back home and we were still pouring money into Viet Nam, the impact on the economy would be the same. The inflationary pressures would still be there.

But if you hold down the economy with controls, doesn't this tend to prevent prosperity?

I don't think it does. We don't have to create an artificial type of economy. You can permit, under some sort of a ceiling, a free play of the market.

One of the troubles in the Office of Price Administration during World War II was that it had many, many people who were trying to reform business. This is not necessary. You have somebody else to do that—for example, the Department of Justice and the antitrust operation.

Any price agency's function must be restraining price alone and not trying to bring religion to a business which is not operating the way someone thinks it should.

Is there a danger of that again?

I don't think that controls will last that long. Once you have put a brake on this wage-price spiral, you will be able to let go.

How long do you think we might have some form of control?

You tell me how long we are going to be pouring money into Viet Nam and I can answer.

I recall one day when a small group

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of us had been in the White House to talk about campaign financing. President Johnson came in during the session.

It was the same day that he announced escalation in Viet Nam.

And he turned to me and said, "Mike, you almost had another OPA this morning."

He should have had. Costs would have been really caught at a good time. And the defense bill would have been so much smaller. It illustrates how close they came to a full mobilization at that time. Definitely they should have had price and wage controls that same day.

What do you think of the theory that you can control the price level generally by controlling only some of the leading industries, such as auto and steel?

It is possible, but I don't think you can go from a freeze into that. You have to maintain some price controls and tailored regulations until the economy settles down. This could be a matter of six months, more or less.

Where would the wage controls come in? Would there be parallel controls on big unions?

Oh, sure. You know, this is a real problem today.

Small suppliers in the automobile industry, for example, are supposed to pay what the automobile companies themselves pay.

Following the big labor contracts?

Yes. Small industry doesn't negotiate much any more. They usually have to accept the pattern. They fight it. They cry. But there is no way they can get out of it.

What are you going to do in towns like Toledo and Detroit? Are you going to have two sets of wages for the same kind of people doing the same kind of work? It just does not work.

Aren't wages really harder to control than prices? You can control the big contracts, but many people are not under contracts. They can get increases that the government really doesn't keep an eye on. Other than a freeze, how do you control wages?

First of all, there is less wage pres-

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Full Scale Wage-Price Controls? *continued*

sure if prices are stable. One of the reasons for these big packages we are seeing today is that business doesn't have a problem with passing that increase through in its price.

Today the power of industry and labor is much stronger than it was during OPS days.

But what about the international as-

pect—America becoming less competitive in world markets?

You know, you have to go product-by-product to determine why competition is strong, whether it is wages or some other factor.

There are so many factors in the economy.

People have a tendency to over-

simplify. They think the United States is self-supporting.

I remember one of the drug companies came in for an increase in price of sutures. The fact was that wool prices were so good that the Australians weren't slaughtering sheep. And if they weren't slaughtering sheep, the supply of sutures dried up.

There is an integration of the world

Can a Wage Board Work?

A magic phrase to businessmen and consumer alike these days is "Phase II."

This will be the next step the President takes when his 90-day wage-price freeze expires in mid-November. And everyone is wondering what it will involve.

There is open speculation that Mr. Nixon will establish some sort of review board.

What edicts or guidelines this board would operate under aren't known, of course. But there has been guesswork that it would concern itself with the economy on an industry-by-industry basis.

If this turns out to be the case, the degree of success—or failure—achieved by a wage review group already in existence will take on extra significance.

The Construction Industry Stabilization Committee was established March 29 by the President as a

means of curbing excessive wage increases in construction—increases that, with fringe benefits, averaged 22.1 per cent for the fiscal year ending June 30.

In the minds of many economists, the CISC has failed to really curb the inflationary cost spiral in the construction industry, even though some first-year contracts have been negotiated at lower percentage increases than before. The prime reason for this failure is the CISC's refusal to take any action on deferred increases in contracts already signed.

Construction's importance to every American cannot be exaggerated.

In 1970, total activity in the industry amounted to \$122.3 billion, nearly 13 per cent of the nation's entire gross product of \$974.1 billion.

This year, new construction, repair and maintenance will amount to some \$135 billion—larger than the output of the automotive and steel industries combined. Indeed, the construction industry provides steel with its largest market, accounting directly and indirectly for over 30 per cent of total sales and output.

Last year, construction accounted for:

- Almost half—\$64.8 billion—of the nation's gross fixed capital formation of \$132.2 billion.
- Over 16 per cent—some \$36 bil-

lion—of total government (national, state and local) purchases of goods and services of \$221 billion.

About 26 per cent—or \$31 billion—of the \$121 billion in purchases of goods and services by state and local governments alone.

Also, the total construction sector purchased about \$69.7 billion in products and services of other industries.

The CISC is a direct outgrowth of a mounting chorus of complaint against awesome wage increases (and the resulting higher prices that had to be passed along to the consumer).

"Wage madness" and "formula for disaster," were some of the milder descriptive phrases applied. President Nixon warned that wage-price inflation within the construction industry had "dangerous consequences."

To combat the spiral, the President earlier this year suspended the Davis-Bacon Act, a Depression-born law requiring contractors to pay prevailing wage scales on government building projects. The Act was designed to keep contractors from importing workers from other areas at lower pay, but over the years it became a vehicle to compel builders to pay the highest (union) scale in the area where a project was located. Many states pegged their own laws to this Act.

Then, mostly in response to anguished wails from labor, the Presi-

This article is based on an evaluation by Bernard F. Zuccardy, an economic consultant in Washington, D. C., who has made intensive studies of the construction industry.

economy that people don't stop to look at or think about.

Bernard Baruch suggested to me one time that the government buy all the coffee that came in and resell it with a subsidy, to keep the price down. Well, I didn't go for that.

What do you think of the proposal some have made for a social com-

pact among labor, business and other groups to support a permanent system of stabilized wages and prices?

I don't think it would be necessary. I would rather see the free market take care of things, with periods of government interference—if you want to call it that—only when it is warranted.

What are some of the pitfalls you encountered in your own experience that they should avoid this time?

Pitfalls?

Yes, pitfalls they should avoid this time?

Well, I don't think we had any little pitfalls. I think we fell in all at once. END

dent agreed to lift the suspension of Davis-Bacon if labor would cooperate in establishing the CISC, which would have the final say on proposed pay increases.

Nowhere in the nation's economy have the forces of competition relative to cost and labor supply been as ineffectual in giving consumers minimal prices as in the construction industry.

From 1958 through 1970, the rate of increase in the cost of building houses and other structures was 140 per cent more per year than that for making machinery and other durable goods.

Construction workers averaged \$2.82 per hour in 1958, 25 per cent more than those in durable goods manufacturing. By 1970, average hourly earnings in construction had increased 85 per cent to \$5.22, and were then 47 per cent more than hourly wages for manufacturing workers in durable goods. Average weekly earnings of construction workers showed an even greater increase—up 88 per cent to \$195.23 in 1970. They then were 37 per cent more than those of durable goods workers, as compared with a 16 per cent spread in 1958.

In this same time span, wholesale prices for all materials used in construction rose 18.1 per cent—about 1.5 per cent per year.

It is a fact that a higher percentage of the gross product of the construction industry is allocated

for employee compensation than in any other industry. It amounted to \$35.6 billion, or 78 per cent, of the \$45.8 billion gross for new construction last year.

If a review board is to be at the heart of Phase II, and it is to curb inflation, it will have to have a better track record than the CISC.

The CISC has focused its attention on influencing a downward trend in first-year increases in wages and benefits negotiated in 1971. And it has had some success. First-year increases on contracts decided by the CISC as of mid-July amounted to 10.5 per cent, unweighted in terms of economic impact, i.e., the number of workers covered by contracts.

But by concentrating on the tip of the inflation iceberg, CISC insured it will be a long time before really significant gains are made on runaway construction labor costs.

The simple reason is that 1.7 million construction workers are covered by deferred increases of multiple-year contracts and only about 596,000 are covered by agreements expiring this year.

Under the Presidential order which created it, the CISC had authority to reopen signed contracts if it felt deferred increases in them were unreasonable. It chose not to do this, taking the position that legal contracts had already been made.

Arthur Burns, the chairman of the Federal Reserve Board, told Con-

gress last year that "the problem of cost-push inflation, in which escalating wages lead to escalating prices, is the most difficult economic issue of our time."

Apropos, the settlement negotiated in the steel industry in July was sharply criticized as inflationary, with cost of wage and fringe benefits the first year estimated at \$650 million.

This settlement, however, amounts to only about 10.5 per cent of the estimated \$6.2 billion increase in construction, wage and fringe benefits in fiscal '71.

There is wide agreement among economists that to achieve price stability—an increase of no more than 2 per cent in consumer prices per year—wage hikes must be tied to productivity, plus an incremental amount not to exceed 2 per cent.

In the 1960-1970 period, productivity in private nonfarm industries increased at the average annual rate of 2.6 per cent, compounded yearly.

If the objective is to limit consumer price rises to 2 per cent a year, then wages should not increase more than 4.6 per cent.

Formulas, of course, are never perfect. But they do provide guidelines to keep in mind in trying to meet an objective. And if stability is the objective of any wage-price board established for Phase II, it would do well to keep this formula in mind. END

Let's Be Fair About Equal Employment

BY SEN. PETER H. DOMINICK

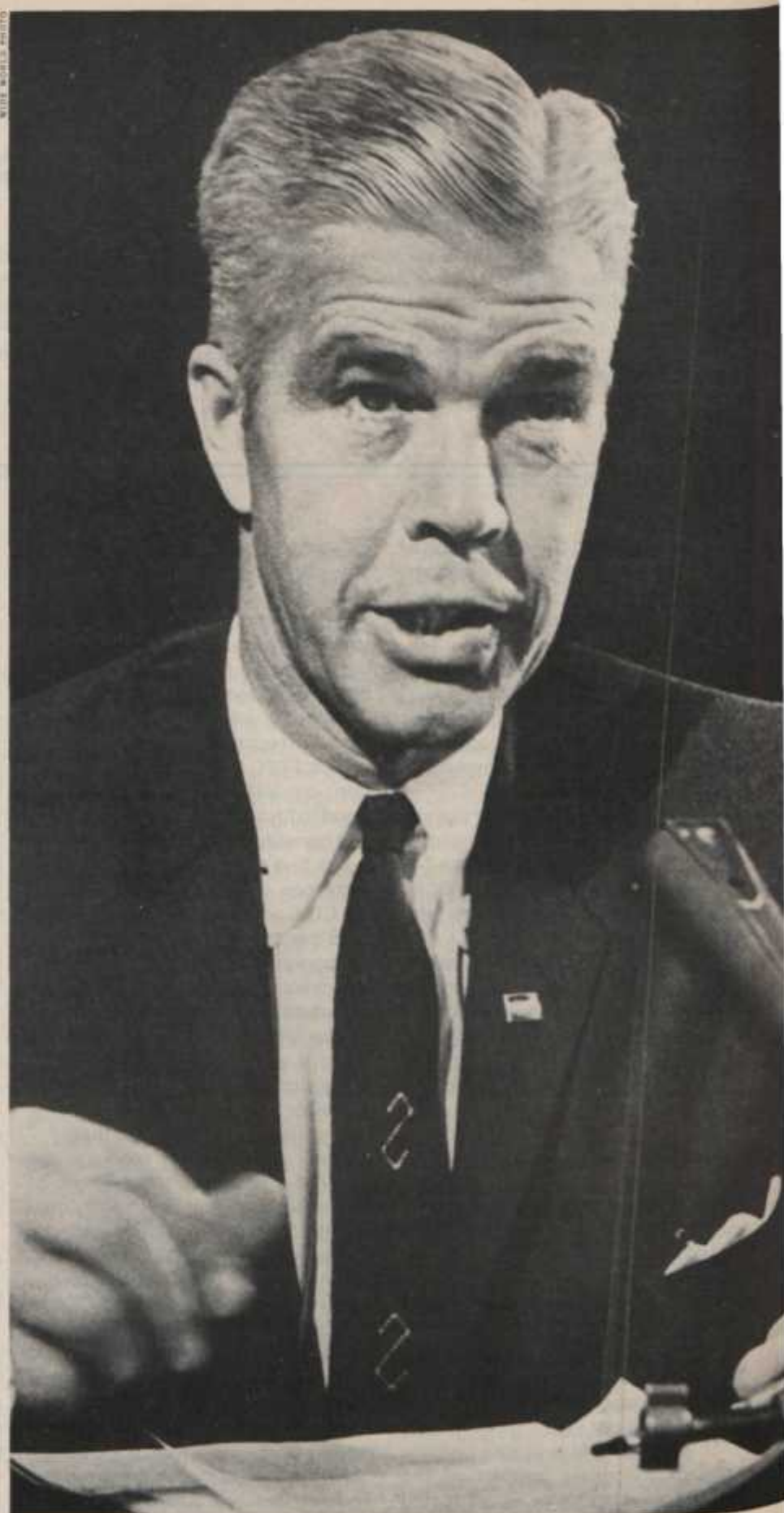
Enforcement of the law against job bias must be just to both employer and employee, writes this knowledgeable Senator; the best way to ensure that it is, he says, is through the federal courts

Picture yourself as an employer visited one day by an investigator from the Equal Employment Opportunity Commission.

His agency, he says, has received a complaint that you have discriminated against a job applicant. From then on, everyone you're up against is a member of the same team.

The first man goes on to investigate, and to file a formal complaint—with the EEOC.

The same agency arranges a hearing at which another EEOC employee is the prosecutor and still another is the trial judge. When a decision is handed down, other EEOC



Sen. Dominick, a Republican from Colorado, is a veteran member of the Senate Labor and Public Welfare Committee, which is concerned with—among other issues—equal employment legislation and its enforcement.

employees proceed to act as a reviewing authority.

If you're dissatisfied with their judgment, you can—after the time and expense of that drawn-out process—embark on new, lengthy and costly litigation in a U. S. Court of Appeals. But only after the EEOC has finished.

Many situations like that could come about under the approach urged by some members of Congress.

There is no doubt that the time has come for Congress to provide an enforcement procedure which would give substance to the purposes of the legislation that established the Equal Employment Opportunity Commission.

But the key to reaching this goal is a workable structure that would be fair to both employee and employer.

That is why I believe the enforcement powers should be vested in the federal courts and not be turned over to the EEOC itself in the form of "cease and desist" authority.

Under the latter arrangement, to which I have strongly objected, the Commission would be empowered to go around the country issuing orders to employers, after the type of proceeding described above, to refrain from alleged discrimination in hiring and on the job.

When Congress established the EEOC under the Civil Rights Act of 1964, it was given authority to investigate complaints of discrimination in employment and to try to resolve grievances through conciliation procedures.

While the EEOC had no mandate to enforce fair employment practices, there were immediate demands for legislation to give it those powers.

However, Congress has been divided over who should have the enforcement powers—the EEOC itself or the courts. The House last month passed an Administration-backed bill

to turn the job over to the courts. But some Senators favoring the "cease and desist" approach hope to revise the legislation along those lines when the Senate considers it later this year.

Policy into reality

I strongly believe in translating the policies embodied in the Civil Rights Act into concrete realities for working men and women in this country who have been denied employment opportunities because of race, color, religion, sex or national origin.

In my opinion, the way to do it is through a plan such as the one passed by the House.

Under this plan, the Commission would first seek to obtain voluntary compliance with the law by specifying immediately the nature of the complaint and advising the employer that he was violating the law.

If a satisfactory agreement could not be reached through negotiations in this manner, the Commission would be free to bring its own direct action against the employer in a U. S. District Court.

Using established judicial procedures, the Commission could—pending a final ruling—request a preliminary injunction or temporary restraining order.

If a court, after hearing the case, decided a violation had occurred, it could enjoin the employer from engaging in the unlawful practices. The court also could order whatever relief was considered appropriate, including hiring of employees, or reinstatement with or without back pay.

There are many reasons why the judicial approach is superior to administrative "cease and desist" procedures.

The principal objection to the administrative approach is that it harkens back to the "Star Chamber" proceedings outlawed in England more

than 300 years ago. That is, the EEOC would, in effect, become investigator, prosecutor, trial judge and judicial review board—all before you ever got to the Court of Appeals!

I do not believe this is appropriate for any Executive agency of government.

Furthermore, as a practical matter, EEOC Chairman William H. Brown III has told the Senate Committee on Labor and Public Welfare that his agency has a case backlog of 18 to 24 months. If it is unable to handle the load under the present arrangement, there seems little likelihood it could begin issuing cease and desist orders for quite some time.

Chairman Brown estimated it would take almost two years to set up a trial examiner procedure, and substantial staffing of trial examiners and new lawyers would be needed to conduct the adjudication procedures before the Commission itself.

We already have over 90 federal district courts and nearly 400 judges for those courts.

Under the judicial approach, where there was a legitimate case, the Commission could take it right into one of those courts—already set up, staffed and paid for.

Naturally, use of the existing court system would mean more immediate action than the cease and desist method, which would be more than two years down the road, even after a bill had been signed into law.

Other worries

And the judicial approach, of course, would bring together and preserve both the expertise of the EEOC in investigating, processing and conciliating unfair employment cases and the expertise and freedom from shifting political winds of the federal courts.

There are other matters of concern

Let's Be Fair About Equal Employment *continued*

to many businessmen in proposals for changes in the law.

For example, Chairman Brown indicated in testimony last year that remedies for discriminatory practices should reach back to the effective date of the Civil Rights Act—July 2, 1965.

Consider the threat of the enormous back pay liability that would confront employers! A fairer solution would be limiting liability to two years prior to the date a complaint is filed. This is not an unprecedented procedure—the Fair Labor Standards Act has followed it to the satisfaction of most parties for many years.

Of equal concern to many businessmen is the Commission practice of conducting full-scale personnel audits of an employer's company-wide employment practices whenever a charge is filed against him.

Unfortunately, in too many cases, little attention is paid to the specific charge, and the Commission engages in fishing expeditions, looking for evidence to support allegations of a "pattern of practice" of discrimination. This type of action is of no direct benefit to the individual filing the original complaint, because action on his limited grievance more often than not is abandoned or delayed while the Commission is engaged in the broad investigation of the entire company.

So the employee suffers and the company suffers. This inequity should be corrected in any new legislation.

Doing the job—properly

In summary: There is a need to put some teeth into the equal employment section of the 1964 Civil Rights Act—and to avoid inequities.

The EEOC cannot do its job unless there are enforcement powers behind it. Because of this immediate need, and because of my belief in the separation of powers among the three branches of this government, I maintain that use of the courts is the proper way.

That approach would give the EEOC the power it must have and, at the same time, insure that the procedures would be workable—and fair to all. **END**

It's Enough to Drive You D-O-T

After two weeks of hearings on how (or if) some of the red tape and gobbledegook of government could be eliminated, Rep. Jim Wright (D-

Tex.), chairman of the House Public Works Subcommittee on Investigations, was inspired to fashion this poem:

We have bureaus, departments and boards of review,
And various assortments of agencies who
Write guidelines to restrict
And draw charts to depict
The wandering maze that we try to go through.

But it boggles the mind to seek comprehension
As witnesses speak in the fourth dimension
And glibly refer with such effortless ease
To each thought and concept in governmentese.

There is AASHO and ARBA and T-E-U
And TOPICS and ARC and the C-E-Q;
There is AWP and AHSWP and A-S-A-P,
And all are involved with the D-O-T.

P-W and EDA have an O-E-D-P
That sometimes runs afoul of R-C & D,
But if SODA and SCEDD seem confusing to you
They're quite simply explained by a man named Gigoux.

The EOP tries to get help quick
To disaster-hit towns that are stricken and sick,
But the O-E-P works through C of E,
S-B-A, H-E-W and H-U-D,
Its own F-C-O and the D-O-T—
And how all this gets done is a mystery to me.

There is NEPA and EPA and F-A-R,
And "Impact Statements" from near and far;
There's the P-B-S of the G-S-A
For which one Bob Kunzig has over-all say;
But follow the thread and you'll finally see
That all of it's run by the O-M-B.

And though you might think there's no man alive
Who understands Circular A-95,
I am told that some do
And though they be few
They are less naïve than I, or you
Who are trying to prune this red tape tree
With the very dull sword of Don Quixote—
And I sometimes think how foolish are we.

END

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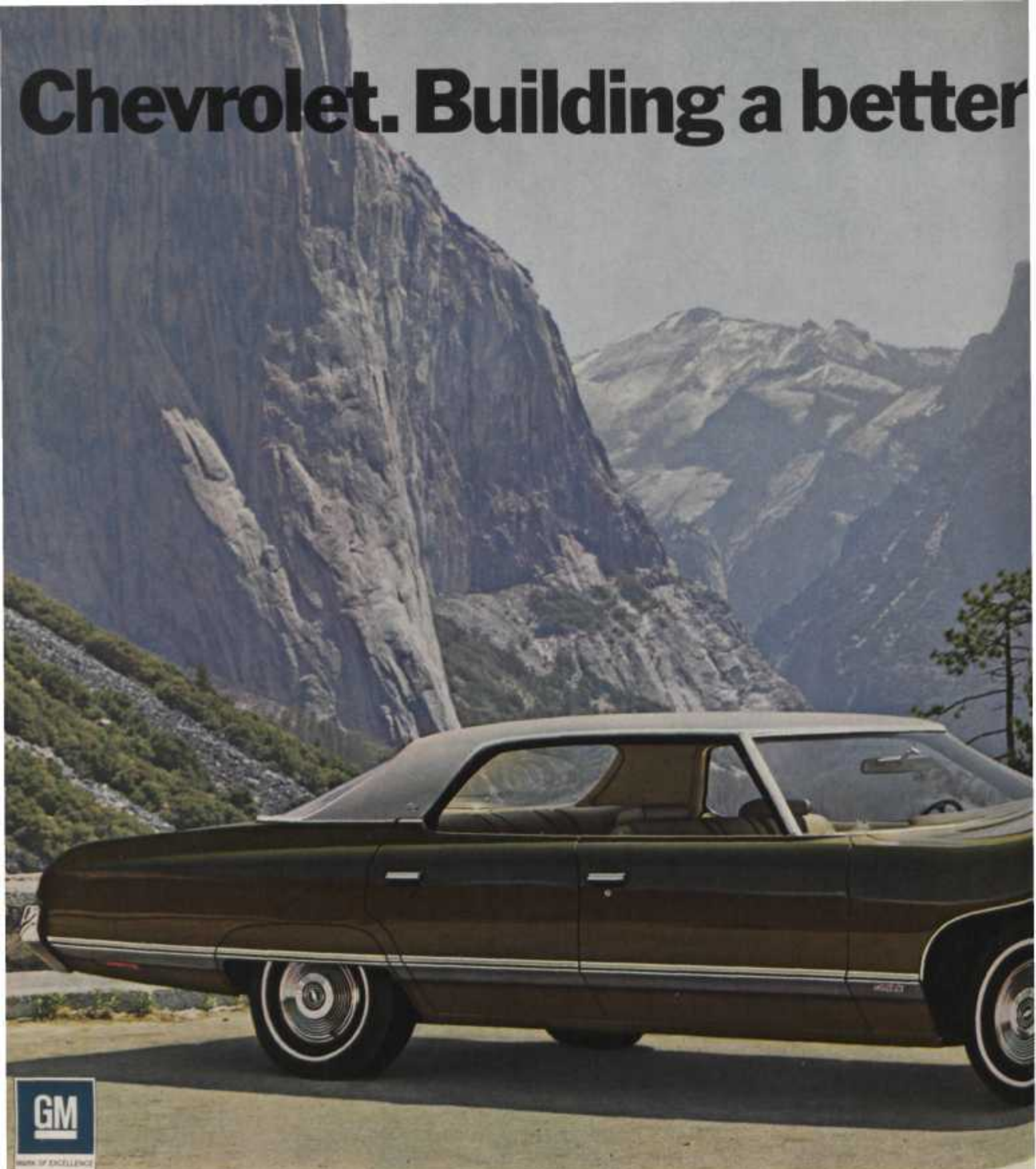
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Electronics: past, present and Marsh & McLennan

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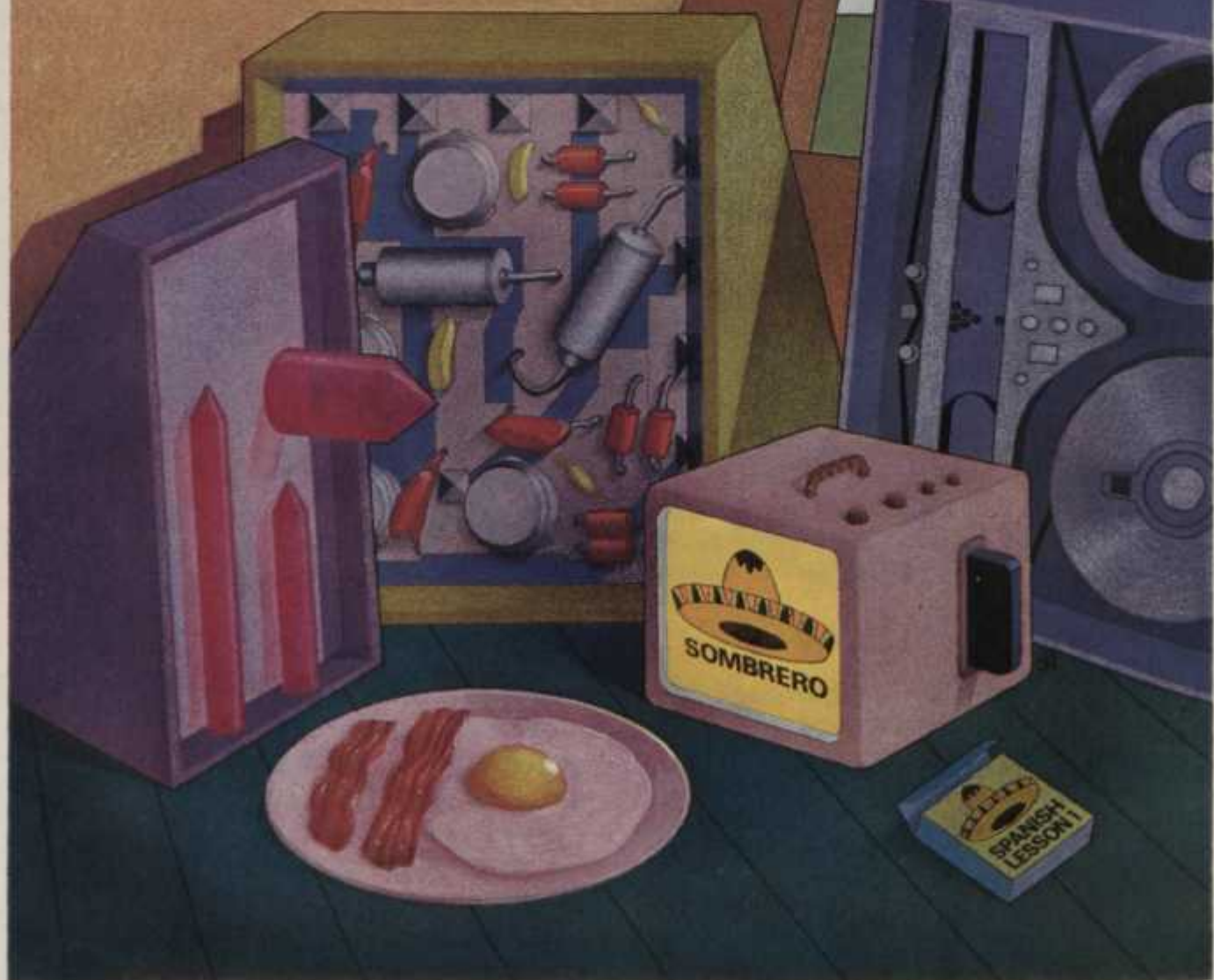
As the electronics industry continues to advance, what social and economic problems will it bring? How, for instance, will storing massive amounts of computer data effect safety measures? Fire insurance premiums? What new concepts might be called for in corporate insurance and employee benefit plans?

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Federal Mule Administration

BY JOHN K. SMITH



ILLUSTRATION: RALPH ROBINSON

Very often in life the really important things get obscured by the more glamorous events.

For example, we have been led to believe that the dashing U. S. Cavalry won the West. In history books and even in the movies, the boys in blue conquered the wild territories and helped bring civilization clear across the land. But in fact, the real hero of the winning of the West is the mule.

An army travels on its stomach. Quite true. And who carried the food and supplies to the U. S. Cavalry in the early days of our country? The mule. And who pulled the wagon trains of the early settlers? Again, the mule. And who was capable of dancing up and down the mountain trails of the Rockies? Our friend the mule.

Yet, the mule is not without recognition. Way back in 1830, the federal government realized that the mule was extremely important to our national defense and our national security. It was in 1830 that the Federal Mule Administration (FMA) was launched. The specific assignment of the new administration, which was under the Secretary of Health, Education and Welfare, was to study the habits of the mule for the protection and promulgation of the sturdy beast.

Later, during the Civil War, the wisdom of the establishment of the Mule Administration was proven. Indeed without the mule, there probably wouldn't have been a war. The mule was the backbone of both armies, carrying supplies and lugging cannons around. The present head of the Federal Mule Administration said in a recent interview that it is now

thought that the Union won the war because it was numerically superior in mules. This may sound to many as an outlandish statement, but in Washington they take mules pretty seriously.

Again the mule proved its value in later wars, right up to and including World War II. And during the years, the Federal Mule Administration grew in importance. From a start-up situation of just six men in 1830, the agency developed a force of 318,922 people at the start of the 1940s. There was, in fact, one man for every mule in the nation.

But since the mechanization of war, and to a lesser extent the mechanization of farms, the mule population has diminished. This has been of great concern to the FMA. The agency's assignment in recent years has been broadened to include the preservation of the species. And with the additional work, researchers, field personnel and backup administrators have been added to the staff. At last count the FMA had 652,349 people on the payroll—which is not quite five humans for every animal.

On a recent trip to Washington, I decided to look in at the offices of the FMA. There are daily tours of the agency.

I arrived too late to join the 10 a.m. group. However, the agency has a well-rounded public relations staff and I was immediately taken into the press section. After a personal tour of the many departments, including a library, research laboratory and electronic control room, I had an opportunity to visit with the chief. Our interview took two hours.

My first question related to the electronic control room, which appeared to me to be more complex than the space agency's job in Houston.

"Yes," the chief said, "we electronically track every mule in the country. We are able to report at any time the exact location of every American mule."

He further explained that the electronic surveillance is most helpful in understanding the migratory habits of the animals and in spotting danger before it happens. Last year, just before a big storm, the agency was able to move in and pick up hundreds of mules that would have been lost to the nation if left unattended.

I delicately asked the chief about jackasses and the relationship to mules. It was the wrong question. The chief replied loudly, and obviously in anger, that jackasses may be in other departments of government, but not in his. I apologized and said that he probably did not understand my question. "I did not ask who is running things, I just asked who's in charge of jackasses."

Finally, he understood and pointed me to the Executive branch.

On my way home I thought about mules and jackasses, and the wonderful job our government is doing. END

Although the federal government is capable of this kind of thing, Mr. Smith, editor and publisher, Westchester Business Journal, White Plains, N.Y., and president, Southern Connecticut Business Journal, was only spoofing in this article. Reprinted by permission from those two publications. © Business Journals of America, Inc.



James M. Roche of General Motors

Views from the summit of the corporate world

Forty-four years ago a tall, skinny young man named James M. Roche, who came from Elgin, Ill., signed on at General Motors.

He had been working for a gas and electric utility in Aurora, Ill., and taking correspondence courses in business and statistics. He was given a job as statistician in GM's Cadillac Motor Car Division in Chicago.

Few GM men of any importance were aware that he was around.

He wasn't a college man, and even in those days a college education was becoming *de rigueur* for upper deck jobs. And he wasn't the type to push for attention; he was soft-spoken, a gentle man, deeply religious, exceptionally well-mannered.

But within a year the Roche skyrocket rose in the sky and Jim Roche was firmly astride it. He was named assistant to the Chicago branch manager and told to study operations and find better ways of doing business. He found them—he suggested improvements in dealership management—and this carried him quickly to New York into better GM jobs.

The skyrocket rose higher, taking him to bigger and better jobs in all

phases of Cadillac operations. He made himself a sales specialist and at one time Cadillacs were being sold under his direction as if they were going for half price.

In 1957 he became Cadillac general manager and a GM vice president. And his skyrocket continued to the highest altitudes in the corporate world.

From 1965 to 1967, Jim Roche was GM's thirteenth president. At the end of this year, at the mandatory retirement age of 65, he steps down as its seventh chairman of the board and chief executive officer.

He has been supreme commander of 796,000 employees who man a world-wide industrial enterprise with sales of nearly \$20 billion a year.

GM is so gigantic that, even though it is basically a vehicle-making organization, it would gross \$2 billion a year without its automobile and truck divisions.

Now, shortly before Mr. Roche leaves his command post, NATION'S BUSINESS presents this in-depth Lesson of Leadership interview.

Mr. Roche talks, among other things, about Ralph Nader, automo-

bile safety, labor problems, America's problems in maintaining its position in the world, and the car of the future.

As for the future of James M. Roche, he intends to continue living near Detroit most of the year. He will do more fishing in Canada, and visit more often with his two sons and daughter and his grandchildren. He and his wife, Louise, will do other traveling, too. And there will be more time to enjoy music.

But he won't be leaving GM entirely, for he will hold his seat on the board of directors and on the finance committee.

He's simply too valuable for GM to cut entirely loose.

Mr. Roche, the United States demonstratively has faded in economic and political spheres. Can this unhappy trend be reversed?

I think it has to be. I think it will be. We have to do some soul searching among all segments of our society to try to identify the reasons for this slide, to try to identify the choices we have. Then we must get on with the job of correcting our slide, because unless we do we are going to have

Lessons of Leadership: James M. Roche *continued*

very serious difficulties. We are losing our productivity. It has not kept pace, particularly with the increases in productivity in Japan and Germany. These are the two toughest competitors we have.

The cost base from which we spring was much higher to begin with than theirs, but even though they do have high inflationary percentage rates comparable to ours, we are still widening the dollar gap between our cost of production and theirs.

This is something I do not think most people in the United States realize. But it is something we are going to have to recognize. And we are going to have to get on with the job of evening out.

Does the United States have the initiative to do this?

I may be naïve, but I think if the story could be told—the problem described—in simple, understandable language, we would rally as a nation.

But until we can come up to that point, we are going to continue in growing difficulty.

Mr. Roche, you retire at the end of the year. Looking back on a long career, what major changes have you noted in the problems of businessmen?

Over the years the attitude of businessmen with whom I have been associated has had to change to meet the requirements of the times. To use our corporation as an example, the great concern once was how to stay alive, how to keep General Motors a viable organization and prevent it from going broke.

After stabilization, the problem had to do with the development of products and expansion of product lines, the development of facilities and getting the kind of organization we needed. From the distribution standpoint, we needed to manage our affairs so that we would be a part of the growth that we envisioned.

That took up our time from the middle '20s until the Great Depression of '32. Although General Motors did not lose money in any year in the Depression, the Great Depression was an all-consuming problem.

The Depression required a different approach toward the problems of the

day, and again it was a question of trying to stay alive and trying to do the things that would keep the organization intact against the day when the Depression would end.

Then in the late '30s and early '40s, the automobile industry was called upon to produce defense equipment, materials of war. So we completely reconverted practically every phase of our operation to the production of defense items, and we continued, of course, on that until the end of 1945.

We built airplane engines, planes, tanks, guns, shells—almost every kind of equipment you could think of.

When the war ended, there was a job of reconversion to peacetime pursuits, and we were in the process of accomplishing that when we had our long GM strike. That eventually was over and we proceeded to resume our normal peacetime operation, again planning for the growth and for the product development that went along with it. This continued with minor interruptions until the mid-'60s.

In the mid-'60s a larger part of our responsibilities was to improve on the safety of automotive transportation—vehicles, highways, the drivers and so on.

Since then we have had the problems that go under the name of consumerism. We have had the problem of pollution, the problem of minorities. We have the problems attendant on the urban centers of our country.

All of those things have had impacts on our organization and our people.

Do you envision businessmen in the next few years playing an increasing role in dealing with social problems?

It depends on how you define a social problem. I think a quick answer is Yes. We are attempting to deal with problems that could be classified under the social area. Businessmen must continue to make a substantial contribution in some social areas, such as in education, in employment of members of minorities, in providing opportunities for minority people to advance within the company as entrepreneurs, and so on. These are all areas that are going to require a great deal of attention and I think businessmen can make a substantial contribution here.

We are concerned, and rightfully so, with the pollution of our environment. It is a problem that is highly technical and not generally understood, although results can be seen; litter in the street is obvious, as is smoke in the sky and dirty water. We are conscious of pollution and we would like to get rid of it. But doing so is highly technical and it is a job in which businessmen again can make a contribution.

The automobile industry has already made very substantial progress in eliminating pollution. We still have a way to go, but we think we have the technology well in hand to meet reasonable standards in the not-too-far-distant future.

Keep in mind that sheer congestion of people living together in a relatively confined area has a great deal to do with pollution. Solutions are going to have to be found for that.

Pollution has to be a continuing matter of attention for everybody in the universe. This is a problem that is not confined to the United States.

What do you think the average American family car will be like, about 10 years from now?

I do not think that from the standpoint of the way the car is used, and the general approach, it is going to be too different from what we have now.

It may be smaller than the average car of today. The number of multiple-car families has increased tremendously and if you are going to have two or three cars in the family, they do not all have to be big.

I do not think anybody knows at this time whether or not there will be a change in the power source for automobiles. None of our research has been promising in that direction up to the moment, and none of our experimental work indicates there is a reasonable substitute for the internal combustion engine on the horizon.

Will the automobile of the future be more pollution-free?

Yes, definitely.

What is the next great move to abate pollution from the combustion engine?

We are working in several different areas—for example, in the direction



PHOTO—THE WASHINGTON POST

Mr. Roche meets with Treasury Secretary John Connally (center) and the President to discuss business views about the wage-price freeze.

of using the catalytic converter. We are working on exhaust gas recirculation, improved carburetion and on fuel injection. One of these devices, or some combination of them, as we see the picture now, is going to do the job.

Of them all, the catalytic converter is the most important. It burns gases and destroys them before they leave the car.

Mr. Roche, where can a company as enormous as GM go next?

General Motors was not always a large company, it started from a modest beginning, and almost went broke in 1921.

We have been very fortunate in having been a part of a growth industry and in producing products that have great appeal, here and around the world.

The automobile has been unique in that it has provided personal mobility that no other system of transportation has ever provided. We have other products. But essentially we are in the vehicle manufacturing business. That constitutes about 90 per cent of our total dollars, sales-wise.

Our future continues to be closely interwoven with the automobile industry in the United States as well as in the other parts of the world. The growth potential perhaps is greater abroad than it is in the United States.

In what light do you and GM now see Ralph Nader?

I do not think that we see him in a particularly different light than we have ever seen him. Mr. Nader is a crusader. He has been a critic of ours for reasons best known to himself. I do not think anybody can question the impact that Mr. Nader has made on the public up to the present time. Obviously we do not agree with all of the things that he says and does.

How safe are American cars and highways?

The American car is much more safe than cars in any other country. Most automotive-oriented countries are approaching the level of safety that we in the United States achieved 20 years ago.

Thirty years ago we had a fatality rate of around 18 to 20 deaths per 100

million miles of travel. Last year it was down to five. That record is outstanding as compared with the record in any other country.

What is the next great move to make cars safer?

The next great move does not necessarily involve the vehicle, it involves the driver and the owner of the car. Any survey that has ever been made indicates that alcohol is involved in 50 per cent or more of all fatal automobile accidents. So one of the things we have to come to grips with is how to control that problem.

Another important problem is driver licensing and the ease with which people who are convicted of serious traffic offenses can apparently get their licenses renewed. Another area is traffic law enforcement.

Another area is compulsory inspection of the vehicles to make certain they are maintained in the proper condition. I think 28 states now have compulsory inspection requirements, but they are not all as strict as they should be.

We should have a uniform law to

Lessons of Leadership: James M. Roche *continued*

make certain that these cars are in good operating condition.

Look at the state of some cars on the highways. Lights are gone, fenders are flapping in the breeze and they are making a lot of noise.

A car is safest when it leaves the factory. From then on it is like any other mechanical product that deteriorates with use unless it is taken care of.

What are some changes that you would like to see in company-union relations?

The principal things we would like to see are better ways to handle the needless work stoppages and to get promptly back to work after a strike is settled. GM had big strikes in '45 and '70, and after the conclusion of each we lost almost as much time as if the full-blown strike had continued. That came about as a result of the so-called local negotiations.

During contract negotiations we had 39,000 grievances. Well, I think it is quite obvious that if the General Motors plants had 39,000 legitimate grievances we would not operate one single day—contract or no contract. But these things become emotional with the result that even after we have concluded a national agreement, we have to set out more time to settle local agreements.

Just to give an example, we signed our national agreement on Nov. 11, 1970, but our last plant did not go back to work until Jan. 23, 1971.

And it all seems to be very futile, because we have a very elaborate, four-step grievance procedure. The first step is with the foreman and the shop committeeman. If they cannot settle it, it is brought before top local management by the local shop committee; if they cannot settle, the third step is an appeal to the corporation and the international union in Detroit; finally, if it is not resolved here, it may be appealed to the impartial umpire (paid jointly by the company and the union) whose decision is final and binding on both parties.

Is it true that industrial strikes in the United States last longer and are more damaging than strikes in Europe?

I was over in Japan last spring and we were talking about strikes. When

they have a strike in Japan they are one-day demonstrations. Next day everybody comes to work wearing a black armband which they wear until the grievances are settled.

And this is true in Europe, too. We don't have many strikes in Europe, except in England. Germans do not strike at all. They will put on a one-day demonstration occasionally. But we have never had a full-blown strike at our Opel plant in I do not know how many years. I guess there hasn't been a strike in Switzerland in 30 years. Australians don't do very much striking, either.

Strikes here are more damaging?

Much more. But then it isn't only a GM strike here, it is a succession of strikes. You just look over the last year or so. In 1970 we were affected by the Teamsters strike. We have been affected a couple of times by the railroad strikes; we were affected by our own strike and last summer we tried to build an inventory of steel to protect us against the possibility of a steel strike.

How did the United States lose so much of the technical edge it once enjoyed over the Japanese, Germans and others?

All new technology is hard to come by, and when this technology is shared with other people, they catch up with you. That is what has happened. We have continued to improve our technology, but look at the Japanese and German industries, for example. They have been completely rebuilt since the war; they have new facilities. We helped them in many cases.

We were very generous to other countries throughout the world immediately following the war. We freely shared our technology with these countries. They bought a lot of machinery and a lot of equipment from us, but nevertheless, they now have a productive machine that in most cases is as productive as ours. And they are as capable in using it.

So this gap has definitely been narrowed.

I do not think it has been closed yet, but it is greatly narrowed.

We really have not gotten any tech-

nical knowledge from the Japanese, have we?

I could not identify any. It has been a one-way flow of technology.

Can you compare the tariff reception that U. S. cars have received in Japan with the tariff reception Japanese cars have received here?

Japanese cars coming into the United States this year—about 600,000 of them—have had a very low tariff. Cars from the United States going into Japan, and there are few of them, have a high tariff—in addition to which other taxes are imposed. There are sales taxes, license taxes, and things like fuel taxes, all of which mitigate against use of an American-type vehicle in Japan, with the result that we are practically non-competitive in Japan with respect to American-type cars.

Japan is beginning to open a little now, but it has been virtually impossible to export vehicles to Japan.

Meanwhile, there are rigid requirements about anybody going into Japan with a capital investment and trying to start a business. They can come into the United States—anybody can—and start a business with no restrictions. But we cannot go into Japan on our own and start a business. If we go into Japan we have to go with a Japanese partner.

Even under those conditions we still have to observe the investment requirements, limitations, that they impose.

The Japanese have provided an umbrella, so to speak, over their industries. And this has helped tremendously to enable them to accomplish what they have.

Also, we have a situation in Japan where the government and the bankers and industry, and to a great extent also the labor element, work together as a team. It is Japan against the rest of the world.

To some extent this also exists in European countries, but not to the same extent it does in Japan.

Do you think we need a little less antitrust restriction in competition with foreign countries?

I think we have to have a more realistic approach to the competitive problems that the United States as a

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James M. Roche *continued*

nation is finding in countries around the world.

Do you favor our maintaining restrictions against foreign cars and other foreign products entering the United States if other nations don't lower their barriers of one kind or another against ours?

Our industry feels that the problems of the world are going to be solved best through a free exchange of goods, people and capital.

However, I do not suppose it can continue forever as a one-way street.

What will happen to the United States if we do not stop buying more abroad than we sell?

We will face very serious problems with respect to the value of our dollar.

Can the United States appreciably increase production in relation to Japanese and German output? Can we get ahead again?

I think we possess the physical capacity and facilities. Whether or not we can do it on a competitive basis is the question. And on the basis of our costs and the direction our costs have taken in the last few years, the indication is that it is going to be one tough job.

Would GM like to have an assembly plant or other production facilities in the Soviet Union or a Soviet bloc country?

It does not look as though—in the foreseeable future—such a thing would come to pass. Looking at it purely from an economic standpoint, if the day ever came where we had normal relations with the Soviet Union, I think we would look at it the same as we do any other country.

There is an economic opportunity there that we would like to have a part of.

This is the basis on which we are approaching Japan at the moment. Up to now it has been impossible for us to be in Japan. Now the ground rules have been modified a little, so it looks like we can acquire an interest in a Japanese company.

We are working on a deal with Isuzu and it looks promising. We would be a minority stockholder in this company.

Roughly speaking, what form do you anticipate trade with mainland China will take in the next few years?

Up until now trade has been virtually nil. We sold a few truck engines to an Italian customer and 30 of them wound up in Red China. When we found out about it, it was cleared with the Department of Commerce. That worked out all right, and there was no problem there.

We also had a few pieces of earth-moving equipment sold through an English distributor, to follow a circuitous route, I think, through Tanzania, then over to Red China. But again it did not amount to very much, and that was also approved.

I cannot envision any great market for automobiles in China. Some trucks may be sold there, and maybe earth-moving equipment or diesel engines for power purposes.

Mr. Roche, do you believe there is a conspiracy to undermine U. S. business? And if so, can you identify it?

I would not want to go as far as to say there is a conspiracy. I do think the motive of some people who are critical of our society and our institutions is to undermine our society—to change our free competitive enterprise system into some form of a socialistic state in which the government would make all of the decisions.

I think enough of this is going on in the United States today to be a matter of concern to all of us.

You have held a wide variety of jobs at GM. Which has been your favorite?

They have all been favorites. I can truthfully say that I have enjoyed every assignment that I have had.

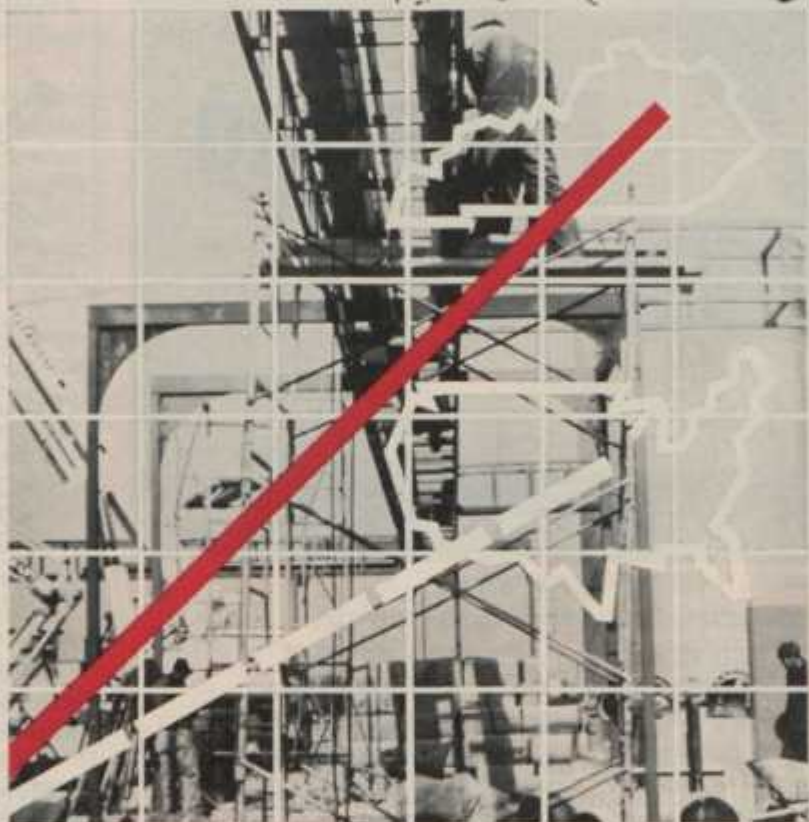
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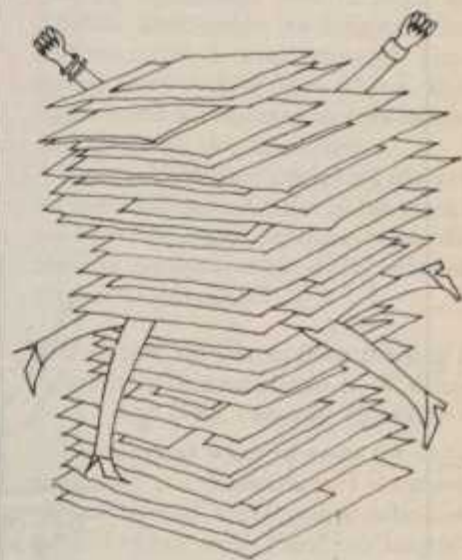
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Many businesses, large or small, may be in danger of being strangled from within by the lowly file clerk.

Is clerical cumbersomeness a plot?

Have the file clerks of America come together in a massive clandestine scheme—whose ultimate aim is the ruin of American business?

No, it's not a plot.

Basically, a combination of factors—ranging from human attitudes to government regulations—are to blame. You can sum it up as too much paper—and too few clerks.

Many companies are creaking along with filing systems that are as out-of-date as the six-day workweek.

There's a little bit of squirrel in each of us. But some of us carry our squirrel-like habits too far.

When was the last time you heard files called "the company records" or the "department files"?

Most people refer to the file cabi-

CHRISTOPHER A. CAMERON, author of this article, is the president of *Leaky Business Archives, Inc.*, New York.

File Clerks
nets—and the paper jammed in them—as “my files.” We tend to identify with whatever paper we generate, and we’re very protective about that paper.

Hundreds of thousands of cabinets are added to our file space each year—placed along walls, and in hallways, basements, storage centers and attics.

Tending those file cabinets are relatively low-paid, undermotivated, untrained workers who are becoming increasingly disenchanted with their state.

The file clerk’s job is a drab routine of fetch and file, file and fetch, often without specific instructions of what to fetch or where to file. It’s a job which can lead to drooping eyelids before coffee breaks, to extra-long lunch hours and, more often than not, to a high turnover rate.

Today’s youngsters don’t want non-productive, low-paying jobs like the file clerk’s. The high school graduate is a little too sophisticated for that. He’d rather run the mimeograph machine in the back office; she’d rather be a programmer.

To solve your filing problem you must first recognize that there is one, then take steps to cope with it.

It may sound contrary to sound business practice, but one solution is to create a new, independent records department. It should have complete supervision over the records system of the entire company—or of a division, plant or office. Its jurisdiction should include paper, microfilm and computer print-outs.

Carefully selected, talented people should be in charge of the records department. They should not be glorified file clerks, but should be trained in records management. This is a relatively new profession, which is gaining ground.

What can a well-managed records department do to unclog the logjam of paper work? It can:

1. Survey the records-keeping practices of each department to determine whether uniform standards are being followed. You’ll be surprised to find how records-keeping can vary.
2. Determine which records, while outdated, must be retained because of government requirements or other legal reasons.

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Don't Solve Problems—Prevent Them

The absence of tension in an organization, as in a human being, is not a sign of happiness; it is a sign of death.

A certain amount of friction and tension is to be expected in any dynamic company. In excess, however, they can make it impossible for management to function smoothly. Hence, the shrewd manager seeks to prevent problems rather than spend all his time solving them.

Some preventable problems:

- *Wearing blinders.* It is natural for an engineer, controller, manufacturing manager, marketing director or systems analyst to think and act in terms of his own expertise. Each will tend to see problems as being related to his area of specialization.
- *Betrayed by bias.* First impressions tend not only to be erroneous, they tend to be lasting; we tend to see what we look for. The manager who is not on guard against this will wrestle with more than his fair share of other people-related problems.
- *Exercising proprietary rights.* Smith gets a good idea or thinks up a novel method or procedure. He clutches his brainchild jealously to his breast. He magnifies the sliver of truth he has come by into the whole tree of knowledge. He changes this sliver of truth into a jousting lance ready to take on all who may oppose it.
- *Refusal to accept a subordinate role.* The job of a subordinate, at any level, is simply this: To help his immediate superiors and the organization come up with the highest possible batting average, while fostering his own progress.
- *Political ineptness.* Despite the amount of trashy nonsense that has been written about organization men and organization politics, the fact remains that in any company there is bound to be a certain amount of office politics. Individual differences, diverse values and convictions, varied levels of aspiration and ambitions, human likes and dislikes make this sort of thing inevitable.

Some managers create problems simply because they do not know how to handle political situations. Some, to their regret, play the game to the hilt in an unethical manner for wholly selfish purposes. Others seek naïvely to stand above it all only to be wounded by the shrapnel.

JAMES J. CRIBBIN, author of this article, is a management consultant and lecturer, a member of the American Psychological Association and a professor of management at St. John's University in New York.



ILLUSTRATION BY CHARLES A. BURN

No corporation can be perfectly fair, predictable or consistent. Unexpected occurrences have a way of upending the most rational plans. Some managers are caught off guard by changes in the environment more often than need be the case. Thus, they encounter problems that might have been prevented.

The sensitive manager tries to read the environment. He will find plenty of clues to such crucial factors as:

What is the power structure and who are the power figures?

What do superiors and the organization esteem and what do they merely tolerate?

What arouses their interest and what leaves them indifferent and cold?

What annoys them and makes them irritable?

What do they reward or punish, often in spite of what is said or printed?

What is appropriate behavior and what are the authorities really looking for in terms of behavior?

People problems

For the executive wondering how best to handle problems related to people, here are some ideas:

1. *Think into people.* When asked the secret of his great discoveries, Sir Isaac Newton replied, "I keep thinking into them." Any person or group, at the risk of oversimplification, can be studied under the following categories:

Likes and dislikes.

Intellectual, social and emotional blind spots.

Biases, quirks and eccentricities.

Sensitivities and sensibilities.

2. *Deal with people as you find them.* Every person is a

Don't Solve Problems—Prevent Them *continued*



born reformer. None of us is actually satisfied with the way God made people. The unhappy fact is, however, that no one is going to change overnight because anyone else wants him to.

Where the inept manager causes many of his own problems by dealing with his fellow workers as he would have them be, his more prudent counterpart takes individual differences and human uniqueness for granted.

3. *Adopt the other fellow's frame of reference.* This is more like "getting inside his skin" than merely "putting yourself in his shoes." A "You" and "I" relationship can be changed into one of "We" and "Our" only if the manager is willing to strive deliberately to see a problem, idea or situation through the eye of the other fellow.

The aim here is not necessarily agreement—but understanding and empathy. The habit of seeing a problem from another's viewpoint and position prevents many emotional clashes.

4. *Anticipate reactions.* Managers who are concerned about forestalling problems, rather than merely solving them, are less interested in the chain of command than in the chain of cooperation.

Accordingly, they seek to "package" what they have to offer in terms meaningful not to themselves, but to superiors, equals and subordinates. They endeavor to anticipate favorable and unfavorable reactions so as to maximize the former and minimize the latter.

5. *Make them look good.* There are three things any man would rather give than receive—kicks, bills and advice. The problem-preventing manager seeks the advice and constructive criticism of his equals.

He tries to share credit and praise with them. He

tries to make their jobs a bit easier. He tries to make them look a bit better.

Environmental problems

How does the manager handle problems related to his environment? Here are ideas on that, too:

1. *Analyze the system.* Organizations are like rugs. The threads may be the same, but the patterns and weave are different.

The manager should compare the formal organization against the informal, to discover not only the decision-making process but also who makes what decisions and under what conditions.

He may study the human interaction networks to discover the empire builders, the cliques, the special friends, the isolated.

2. *Learn how to work within the system.* Organization charts, policy manuals, job descriptions and manuals of procedures and rules, absolutely necessary though they are, have about as much relationship to the rhythms of an active company as a set of blueprints has to the subtleties of a home.

To avoid environmental problems the manager must cue in on the unwritten rules of conduct, the sacred cows and not-to-be-broken precedents of the organization. He must familiarize himself with the accepted ways of doing things.

3. *Develop a "sensing ability."* More often than not, people who are stuck in dead-end jobs have nobody to blame but themselves. No manager has the right to expect superiors to tell him in detail what they require of him. His task is to develop a sensing ability which will tell him what is appropriate behavior, what bosses really want—at times in spite of what they say.

Problems foreseen are easier to handle. Opportunities foreseen are more readily capitalized on.

4. *Paddle your own canoe.* No firm can tolerate the manager who is outlandishly individualistic; none really wants one who is subserviently dependent. Yet these are two errors that some managers make.

Some carve their way ahead over the bodies of competitors, causing themselves problems rather than preventing them.

Others supinely expect the company to care for their careers and futures.

The astute manager cultivates a healthy interdependence. He knows his personal objectives. He learns as soon as possible the organization's goals as they affect him, together with its plans for him.

If all strategies fail, or all options open to him within the corporation prove of no avail, then it may be well to use the ultimate option of "voting with his feet."

END

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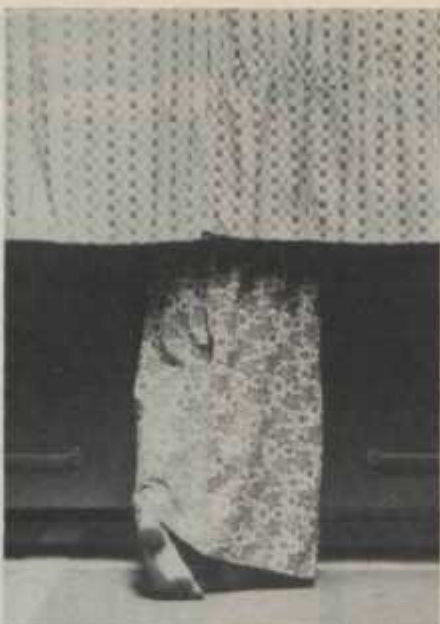
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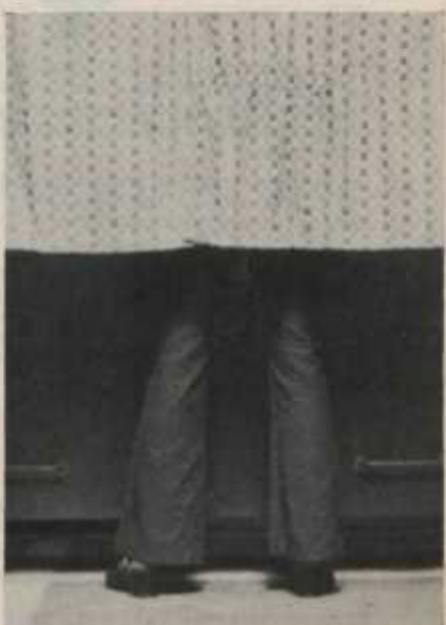
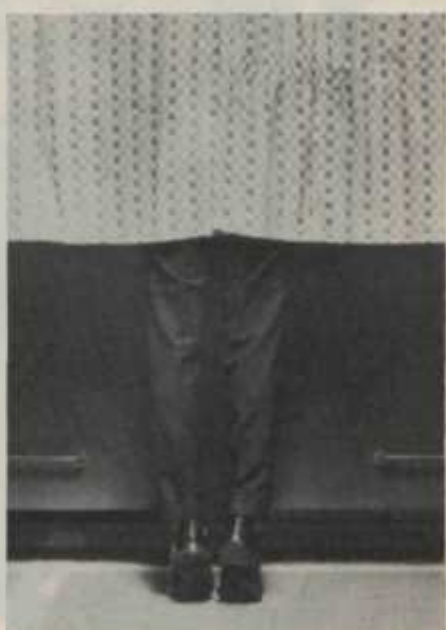
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Battle for the Youth Vote



PHOTOS: YUICHI OKAMOTO

They are 11 million strong and one of their few common denominators is variety.

Some are still in high school and some are full-time workers with families.

Some live at prestigious private universities and others commute daily by bus to local junior colleges.

Some are in uniform manning the nation's outer defenses, while others still must be home by parental curfew.

Some teach in Sunday schools, and others have disappeared into the sub-world of the counterculture.

They are black, white, brown, red and yellow; conservative, middle-of-the-road, liberal and radical; long-haired, shabbily dressed residents of affluent suburbs, and well-barbered, traditionally attired products of working class neighborhoods; Eagle Scouts and dropouts; swinging bachelor girls and stay-at-home housewives.

Together they will have a special place in political history as the first voters under the Constitutional amendment extending full voting rights to 18-, 19- and 20-year-olds.

Since ratification of the 26th Amendment last July, virtually every political discussion has turned sooner or later to the question: "What will the kids do?"

What impact will the introduction of a new and thus far unknown factor have on traditional voting patterns?

Who will win the Battle for the Youth Vote?

ROBERT T. GRAY, author of this article, is an associate editor of *Nation's Business*.



A total of 25 million Americans under the age of 25 will be eligible to cast ballots in the 1972 national, state and local elections. Of that number, 14 million will have turned 21 since the 1968 Presidential election. The 11 million others are 18 through 20.

In 1968, there were 120.3 million persons of voting age, but only 73 million—about 60 per cent—actually went to the polls. Estimates are there will be 140 million of voting age by November, 1972. A 60 per cent turnout would be 84 million.

If the 18-through-20 group turned out in the same proportion, they would cast 6.6 million ballots. And, if theirs were a bloc vote, it would carry sizable political clout in view of President Nixon's plurality of 510,-

000 votes in 1968 and President Kennedy's 120,000 margin in 1960.

A popular theory among politicians and commentators today is that the new youth vote will provide a ripe harvest for liberal candidates and causes.

Others hold that the vote will divide along the economic, social, geographical and ethnic patterns of the older generations. And still others believe young people, either in apathy or disgust, will turn away from the political process in such large numbers that they will have no impact on the outcome of elections.

How many young people will register, what types of young people will, how many will actually vote and where college students will be allowed to cast their ballots are among the overriding questions.

Business' big stake

The business stake in the answers is an important one. Among groups that moved quickly to register young voters are Common Cause, the AFL-CIO and the Alliance for Labor Action, all committed to liberal causes. And obviously there's anti-business sentiment among militant student leaders at some universities.

But Richard M. Scammon, director of the Elections Research Center and one of the nation's leading political analysts, sees no grounds for sweeping assumptions that liberal candidates will automatically be the chief beneficiaries of the lower voting age.

A number of factors must be kept in mind in gauging the effect of this new element in the voting popula-

Battle for the Youth Vote *continued*

tion, he says. For one thing, Mr. Scammon argues, "it will depend on how close the election would have been if the young people hadn't voted."

"Every kid in America could have voted for Barry Goldwater in 1964 and it wouldn't have made any difference."

Another point he makes: "People keep saying there are 25 million new voters under the age of 25, which is true. But there are also 29 million voters over the age of 60 and they have a habit of voting in much larger numbers than the youngest voters."

In trying to correlate the new voting population and the 1972 national election campaign, Mr. Scammon says, "the best appraisal at this time is a military one: It will depend on the terrain and the situation."

A candidate's appeal to younger voters, he believes, "will depend on how many are turned on or off by the circumstances of the time, including Viet Nam, Red China, the economy and what can best be described as 'the social scene'—crime, drug abuse, the generation gap, environmentalism, plus campus and/or inner city unrest."

A state or Congressional district that has been overwhelmingly Republican or Democratic is not likely to undergo drastic political change due to the influx of voters constitut-

ing a small part of the total electorate, Mr. Scammon says.

And, while a candidate might be encouraged by the support of young activists, their efforts can, if not tempered, be "a kiss of death," he says. For example, if the candidate's youthful supporters "go around tout-ing free abortions, legalizing pot and bringing the boys [draft evaders and deserters] home from Canada."

A minority of screamers

Mr. Scammon also cautions against appraising the ranks of new voters in terms of the radical, hippie-garbed youngster on a prestige campus far from home.

Despite the extensive publicity, he says, that type is actually a minority (college students attending top-cost private schools) within a minority (college students not living at home) within a minority (college students) within a minority (young people as a percentage of the electorate).

"The fastest-growing educational institutions in the country are the junior colleges and the community colleges," Mr. Scammon points out. "Most of their students are living at home and a lot of them are working."

"There is a big difference in colleges and this is an important factor in examining the so-called student vote. There's nothing about our young people to lead me to believe that they are monolithic, that they all have the viewpoint of the screamers on the big-name campuses."

Business, he adds, can find assurance in the fact that most college students are still working for "upward mobility" within the present economic structure, and are concerned about preserving the existing order in hopes of benefiting from it.

"There's no connection between them and the intellectuals who go off to Big Sur to make sandals and talk about smashing the state," he says.

The noncollegians

Of the 11 million new voters 18 through 20, the Census Bureau estimates that over five million are full-time employees or housewives; 4.1 million are in college; 900,000 are in high school and several hundred thousand more are in the armed forces.



Discussions of the youth vote have tended to center on college students.

But Republican strategists in particular are very much aware of the nonstudent vote.

"After all," says Frederick Slight, director of special programs for the Republican National Committee, "the nonstudents represent 64 per cent of the new voting group. We would certainly want to concentrate on them."

But not to the exclusion of the college group, he adds.

With G.O.P. national headquarters as coordinator, state Republican organizations will be encouraged to develop programs to appeal to youthful voters.

"We want to get President Nixon's record across to the young people," says Mr. Slight. "To remind them that it was he who got the troops out of Viet Nam after years in which Kennedy and Johnson were sending them in; that it was President Nixon who brought about reform of the draft law and is trying to reorganize the government to make it more responsive to modern challenges."

The National Action Council of the Democratic National Committee also is focusing on registration at this stage. It plans to work with organized labor in reaching younger union members, and it has a program directed at the 300 college campuses which have student populations of over 5,000 each. "Early statistics indicate that we may expect campus voter registration to run over two-to-one Democratic," it says.

The G.O.P.'s Mr. Slight, not too





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Battle for the Youth Vote *continued*

long out of college himself, says reports of lopsidedly Democratic registrations are too sketchy thus far for proper analysis.

Big vote on campus?

Whether students should be allowed to vote in their college towns is a crucial question not only from a national viewpoint but for the hundreds of smaller cities and towns with big college populations.

If the young are permitted to vote on campus, they are expected to swell the vote for President and members of Congress. (The theory is that they would vote in larger numbers than if they had to go home, or to cast absentee ballots.) At the same time, they could vote for state and local officials.

Community leaders of college towns are particularly mindful of what happened last April in Berkeley, Calif., where radicals sought control of the City Council and actually scored sufficient victories to tie up Berkeley's government for many months.

The radicals won with massive support from students and hangers-on at the University of California at Berkeley, the cradle of the campus anarchy that spread across the nation.

"Seize the city. . . . We want the city and we want it now," trumpeted the student newspaper in support of the radicals, who have since turned the Council into a forum for anti-business and anti-police campaigns.

The 26th Amendment was passed subsequently and virtually every college student now has the franchise.

In California and Michigan, top state courts have ruled that students qualified to vote may do so on campus. A similar ruling was issued in Massachusetts by Atty. Gen. Robert H. Quinn. At least a dozen other states plan to allow on-campus voting.

But bills to require students to vote from parents' addresses are pending in Congress and in many state legislatures. Sen. Alan Cranston (D-Calif.) has introduced a measure to enable students to vote on campus for President and members of Congress. However, they would have to go

home or obtain absentee ballots to vote for state and local officials.

In view of the extensive legislative and judicial action, it is generally expected the Supreme Court will eventually hand down the final word on where students can vote.

An estimated 1.5 million students attend schools within their home states but more than 50 miles from home, and another 325,000 live on campuses outside their home states.

Gap at Bridgewater

Bridgewater, Mass., about 25 miles south of Boston, has 4,500 registered voters and is the home of Bridgewater State College, with an enrollment of 3,600. But that's only part of the story.

Like many other New England communities, Bridgewater is still governed by its town meeting, in which all registered voters can participate.

John Revil, chairman of the Board of Selectmen, is concerned about the prospect of making every Bridgewater State student an eligible voter.

Only 500 or 600 voters normally attend the town meeting, he told NATION'S BUSINESS, "and that's where appropriations are made and the tax rate is set."

If allowed to vote locally, the college students "certainly could take control of the town," Mr. Revil says.

Expressing the concern of local officials and business leaders in college communities everywhere, he sees the possibility that students could commit local taxpayers to long-term expenditures and then depart upon graduation, never to help pay the costs they had imposed.

But Joseph Weissman, 21, president of the Student Government Association at Bridgewater, says he sees no reason to anticipate such problems.

"All students aren't radicals who would go out and vote for higher taxes just to cause trouble," he says. "They will have a reasonable and proper respect toward people."

"They want to help the town, not hinder it."

Mr. Weissman and other student leaders whom NATION'S BUSINESS talked to across the country indicate that student participation in local government would be directed chiefly toward such matters as student hous-



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ing, parking and troubles with local police, and the possibility of pressuring legislatures for more money for state-supported colleges.

How about other local issues—education, street repair, rubbish collection, zoning, and adequate water supplies and sewerage systems?

"We haven't given them too much thought," Mr. Weissman says.

In Illinois, state Rep. Charles Clabaugh has introduced a bill that would require most students to vote from their home addresses if, for all practical purposes, they are still dependent on their parents.

Mr. Clabaugh's district includes the Champaign-Urbana area, home of the University of Illinois. The two communities have 54,000 registered voters and the university has an enrollment of 36,000.

"Most of these kids get checks from home and they go there when they are sick or school's out," Mr. Clabaugh says. "It's not natural for them to claim they have a permanent residence here."

He argues that youthful voters would come under the influence of "radical, left-wing professors" and would "vote for every spending project that came along . . . they'd turn the town wide open."

Those favoring on-campus voting for students argue that they would not otherwise avail themselves of absentee ballots and would be effectively deprived of the franchise so recently granted.

But political analyst Scammon believes it is "fairly obvious that if a young person is dependent on others for all or most of his support, he draws his legitimate address from those on whom he is a dependent."

And, he adds, "if students don't have enough brains to register and get an absentee ballot, our education system is really going to hell."

An outnumbered community

Another community warily watching the outcome of the argument over where students should vote is East Lansing, Mich., which has 14,000 registered voters, and also has Michigan State University, with 41,000 students. A political movement with strong anti-business, anti-establishment goals has been launched and its

leaders anticipate increasing support as more and more students register.

Robert Wilcox views the political situation in East Lansing from two vantage points—as a businessman and as an elected official. He is general manager of Jacobsen's department store and a member of the City Council.

The prospect that his community's voting rolls will be sharply expanded by registration of students must be considered "realistically," he says.

Long-range benefits could be realized, he says, if the students "take an active part in the community, get to know it."

On the other hand, he says, "I'm not at all pleased that students living on campus—who pay neither direct nor indirect taxes to the city—will be able to vote on bond issues, school taxes and other financial matters."

While some anti-business student activists have received an inordinate share of publicity, Mr. Wilcox says, he believes the student vote will pretty much reflect present political patterns in the community.

In California, a self-styled "People's Lobby" is counting heavily on student support in its campaign to win approval next year for a Constitutional amendment that would set sweeping controls on business.

Among other things, it would prohibit offshore drilling, set a five-year moratorium on new nuclear power plants and empower authorities to close factories any time they allegedly contribute to smog.

A Californian who had a front-row seat at the birth of one anti-business political coalition says businessmen should be more alert than ever to the new political trends.

Kenneth Stoops, executive vice president of the Berkeley Chamber of Commerce, says the radicals' political success there was not so much due to support they had as it was to moderates' inability to agree on which four of 33 candidates to back.

"Young people and radical groups in college towns really have nothing but time—no businesses, no families, no jobs to go to," Mr. Stoops says. "There is an urgent need for moderates to be equally ready to organize on a continuing basis to support the values of the free enterprise system."

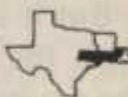
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Matchmaking With Industry

Here's what companies look for when they're checking out a location for a new plant

Industrial development has been called the lifeblood of the American economy. The search for industry, therefore, becomes of paramount importance to almost every city and town in the nation. But it is running head on into the push to clean up the environment.

NATION'S BUSINESS, taking its annual look at industrial development, explores what the ecological push means to the quest for industry (page 72) as well as what companies hope to find when they are searching for plant sites.

Related stories discuss the boom in direct foreign investment in the United States (page 78) and the industrial development upsurge in small towns (page 86).

Sometimes, to get the feel of a strange town, Creed Reagan puts on old clothes, keeps quiet about his identity and strolls the streets.

He has a delicate and confidential mission.

Mr. Reagan is the Union Camp Corp.'s key man in the selection of plant sites. Part of his job is to keep the company's evaluation of communities as private as possible to avoid offending those that are rejected and to keep speculators from running up land prices where the company does decide to build.

An awful lot of cities and towns, unknowingly, were scrutinized by industry many times during the past decade and judged against other communities as possible plant sites.

It is going to happen more often in the 1970s, because industry is in the midst of an unprecedented migration from the central cities. In the

Scouting from high spots or the air, industrial site selectors such as Union Camp Corp.'s Creed Reagan (right) unobtrusively get overviews of likely areas.

past 10 years, the growth rate of industry in the major cities was around 5 per cent, while in their suburbs it was about 35 per cent. In rural areas, the rate was even higher.

A prominent example of rural growth is Nebraska, which does not contain a single one of the nation's 40 major metropolitan areas. Between 1960 and 1970, 486 new plants were opened in the state, 343 of them in towns of less than 20,000 population.

The number of rural Nebraskans working in factories increased 50 per cent over the same period and manufacturing income jumped 62 per cent to \$1.5 billion.

As this industrial migration continues, most communities will be able to attract industry if they seriously want to. And the benefits of a major investment by industry are so attractive that few towns will be



PHOTO: CHUCK ROSSER—BLACK STAR

uninterested. A consensus of several studies is that 100 new factory jobs mean roughly this to a town: 350 more people; more than \$700,000 in personal income per year; \$230,000 more in bank deposits; 65 additional non-manufacturing workers; three more retail establishments; and an additional \$300,000 in annual retail sales.

The source of these substantial economic benefits usually is a one-time investment by a company of about \$3 million, or some \$30,000 per worker. No other investment can produce such recurring benefits, while strengthening the tax base. Certainly no governmental action can match it.

Task for a task force

Attracting industry is not a difficult task, even for small communities. A few simple steps will get you started, and most industrial develop-

ment experts generally agree on what they should be.

First is the formation of a special group, or task force, which will be responsible for making the town known to the proper industrial development groups in industry and government, and will educate the rest of the community on what must be done to improve the town as a plant site.

The composition of this group is extremely important. Mr. Reagan says it should have "your most effective people—preferably those who have had business experience and will be enthusiastic, articulate spokesmen for the community."

Second, the community should decide clearly the type of industry it wants to attract, just as industry usually has a clear idea of the type of community it is seeking. Before making this decision the community

should take inventory to see what it has to offer. Industry's own rating sheets list two basic types of advantages—or disadvantages.

One type concerns the tangible costs of doing business in a town, such as its tax structure, the costs of transporting goods to and from it, and the size and skills of its labor supply. It's possible to put accurate dollar values on these economic variables and to use them for a rigorous comparison of sites.

The other type deals with intangibles—the factors that make up what some industry specialists term "the good life." Generally they relate to lack of congestion; low crime rates; good housing, hospitals and schools; and the variety and nearness of recreational and cultural opportunities.

Smaller communities usually rate high in the intangibles, and industry is beginning to give them more

Matchmaking With Industry *continued*

weight, as the exodus from the cities shows.

Andrew R. Evans, director, real estate and works engineering, Westinghouse Electric Corp., says, "We still are using the same basic system for deciding on new plant locations that we were using 30 years ago." But he adds:

"Undoubtedly, we are giving more consideration to the intangibles now, even though we like to think we always did a good job in this respect.

"The company can't afford to disregard economic factors completely and we need to be fairly close to the large population centers for most of our operations. Today, we're just moving a little farther away in most cases."

Rating a town on the intangibles is a subjective matter and will vary widely among companies.

Howard Lindow, real estate and properties manager for the 3M Co., says: "An experienced person does not have to spend much time in a community to get a pretty good reading on its livability." Since his company locates many plants in small communities (20 of its 50 major facilities are in towns with less than 10,000 population), Mr. Lindow is especially interested in livability.

One type of intangible that companies look for is evidence that a community is the kind of place that can get things done to make itself a better place in which to live and work.

However, Mr. Lindow also cautions civic leaders to remember that no town can be attractive to every corporation. No two companies have the same set of requirements, and they usually don't give the same priority to requirements they do have in common.

Where to find aid

The third step is for the task force to become familiar with all the governmental assistance available to industry moving into an area. Usually, there is plenty of it.

Federal agencies, such as the Small Business Administration and the Economic Development Administration, have loan programs for which many firms are eligible.

State programs are expanding rapidly. All but four state governments

provide revenue bond financing for construction of new factory buildings. Many will make or guarantee loans to companies for the purchase of equipment. Some states provide matching funds for city and county industrial financing programs.

Exemptions from sales, corporate income and excise taxes are allowed to various degrees by most states for corporations building new plants or expanding old ones. To encourage the so-called "high technology industries," some states grant generous tax exemptions for research and development.

In years past, the relatively low skill level of the rural labor force was a roadblock to industrial development outside the big cities. Now, this situation has changed dramatically as all but two states subsidize—to one extent or another—the training of workers to meet any manufacturer's specific skill requirements. Extra assistance is provided for training the hard-core unemployed.

The community just launching a program to attract industry will face many decisions regarding its tax structure and zoning regulations. These are key barometers of the business climate.

No company constructing a plant wants it to become the object of unfair taxation, or eventually to end up in the middle of a residential district or of a rundown commercial or industrial area.

The community must also decide about obtaining firm control over property that it hopes to see industry occupy.

"Any community that is really interested in attracting industry," Mr. Lindow says, "should have a good site to build on." Most companies will lose interest in a hurry, no matter how desirable the site, unless the local development group owns the land or has a firm option on it.

Some communities also have invested in shell buildings which they may offer to industry under generous



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Matchmaking With Industry *continued*

PHOTO: RICHARD OLSEN—BLACK STAR



While a site may be desirable, says Howard Lindow (above), 3M Co. real estate and property manager, companies lose interest quickly if the community development group doesn't own or have a firm option on it.

conditions. But this expensive, and sometimes risky, procedure is not recommended by many industrial site specialists, particularly those with larger corporations. Often the buildings fail to meet needs peculiar to the industrial tenant the community hopes to attract.

Today, no community can avoid meeting the pollution question head on. Any incoming industry will want to know the community's policies and plans. And there is much more involved than simply adopting federal or state antipollution standards.

Among other things, industrial prospects will want to know if existing, and planned, water and sewage treatment facilities will accommodate a rapid expansion of the population. Since no company wants to get into the sewage treatment business any more than necessary, they will want to know if the municipal system will be able to handle industrial wastes that have received only primary treatment. And if the municipal sys-

tem is available, what will the charges be?

Preparing a profile

The fourth step is for the community task force to prepare a profile listing the basic facts about the immediate area.

Industry does not expect a voluminous report, or a slick, expensive brochure. Mr. Lindow says few industrial real estate men would have the time to read them, or the facilities to store them until they might be needed.

The preferred method is to keep the profile to two or three pages. It should briefly describe the population; utility service and plans for utilities' expansion; present and proposed highway, air and rail facilities; distances to major cities; climate; the local and state governments; police and fire protection; existing local industry; service industries; banks; recreational, health and educational facilities; churches and civic clubs;

hotels and motels; size and general competency of the labor force.

Some industry evaluators recommend that an aerial photo, with key locations marked, be included with the community's profile. Many also suggest mimeographing the profile, so that keeping it up-to-date is inexpensive.

The fifth step is to get the profile circulated where it will do the most good. At the head of the list are state and regional development groups, railroads, utility companies, area planning commissions, chambers of commerce and engineering consulting firms serving the area.

Corporations planning to build in a region usually contact such groups and companies first.

All major corporations, in the industries which the community would welcome—and which might move to the area—should receive copies of the profile. Often they run into the hundreds.

How industry rates you

The importance of preparing a good profile and giving it wide distribution cannot be overemphasized. Companies usually evaluate dozens of towns before they narrow their choice down to a few prime candidates.

It is only these few that ever know they were being considered.

Industry's evaluation techniques have become quite sophisticated and computerized, and extensive comparisons can be made in a short time.

The technique of PPG Industries, Inc., is typical of large firms'. Robert M. Hainsfurther, vice president and general manager of the company's glass division, explains that it begins with top management decisions that establish target goals for production several years ahead. Then a planning group collects information to determine "if expansion and/or rebuilding present facilities is the proper approach or if a new plant will be more advantageous and economical."

If the decision is for new construction, the search for a site is confined to one region. It is a large one; sometimes, Mr. Hainsfurther says, it is "anywhere in the eastern United States."

This region is subdivided into a

grid system of about 20 areas. All costs of doing business are calculated for each grid area.

In the case of PPG products, fuel and transportation costs are especially important. PPG also shares the concern of most of industry over pollution control costs and the labor climate.

When the preliminary screening points to one of the grid blocks as the most appropriate, it in turn is subdivided into sections and the cost comparisons are repeated.

Mr. Hainsfurther says: "The results of this second screening and subsequent evaluations reduce the possible site locations to a relative few and at this point the use of field investigations is instituted."

Mr. Lindow reports that 3M studies 400 to 500 possible sites in the average year and 3M men visit 50 to 60 of these. Mr. Reagan says Union Camp, in choosing a new location, studies many sites and quick trips usually are made to 20 or 30. Some of these trips are simply fly-overs in light planes or helicopters. All but three or four sites are eliminated before town groups are asked for guided tours.

What to avoid

Industry also has a few recommendations on what community groups should not do:

- Unsolicited calls on major corporations generally are a waste of time because the companies do not like them.

A recent University of Missouri study, "Manufacturers' Attitudes Toward Industrial Development Information," says industrial development groups increasingly are sending representatives to company headquarters, "to the growing dismay of those company officials who are the objects of this attention."

- Do not have anyone in the community group who cannot keep a confidence.

The quickest way to lose a prospect is to allow rumors to get started about his business. All companies insist on keeping negotiations for land and services confidential until they are final.

PPG, for example, inspects only

acreage "suggested by local community leaders who had earlier been contacted and agreed to cooperate with us without revealing our identity," Mr. Hainsfurther says.

- When industry representatives call on a town, they will be seeking a great deal of information in a short time, and the community group should not allow any exaggerations.

As Mr. Reagan puts it, "The first impression is important." He says the community group should arrange a tour so company visitors see the town in the best light. However, he cautions, "Be sure it's a factual presentation. Don't let anyone's enthusiasm run away with him."

- Don't try to bypass company representatives by going to executives not directly involved in the land negotiations. Most industrial development specialists report that this usually backfires.

The executives' decision is difficult enough under the best circumstances. They are trying to visualize what the area will be like 10 years ahead.

Their objective is to keep the new plant's total lifetime cost to a minimum. Usually one site requires a lower initial capital outlay, while another has the lowest long-term operating costs. Sometimes the cost of capital can swing the decision. Sometimes being a few miles nearer a major artery is the difference.

In any event, most executives regard the decision as strictly a company matter.

Mr. Reagan says: "Management works hard to select sites that enhance the company's long-term competitive position. Cities and towns can make hard work and good judgment pay off just as effectively in attracting the type of industry they need to remain pleasant and prosperous."

"I know it's possible because I've seen it happen many times." END

REPRINTS of "Matchmaking With Industry" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: one to 49 copies, 35 cents; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.



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PHOTO: HARRY SCHAEFER—GLASS LENS

David Sweet, head of Ohio's Department of Development, discourages new industry if he feels it may pollute. State assistance in financing, however, encourages firms already in Ohio to battle pollution.

No More Golden Eggs?

Perish the thought, say state industrial development officials; but meeting demands for cleaner air and water poses problems when you're out to bring in new plants and jobs



What will the big push to clean up the environment do to industrial development?

It could very well cause a slowdown, says Andrew F. Brimmer, member of the Board of Governors of the Federal Reserve system. He estimates U. S. industry will have to spend a whopping \$45 billion during the next five years for the pollution control equipment needed to comply with new federal air and water quality standards.

Since pollution control equipment will be an add-on expense, increasing the cost of every new plant, Mr. Brimmer concludes that far fewer factories will be built in the U. S. during the 1970s than if pollution had not become an issue.

State development officials agree—up to a point. But they also predict that industry's capital spending will

remain relatively high—probably more than \$350 billion for the first half of this decade. And they hope to help business cope with pollution problems.

Says Neil L. Moylan, commissioner of the New York State Department of Commerce:

"I certainly wouldn't challenge Mr. Brimmer's estimates. But the main point about the pollution situation is that this state is not going to sit by and see its industry, the goose that lays the golden eggs, hurt in the process of cleaning up the environment.

"We already are providing assistance in the financing of pollution control machinery, and we plan to do more."

To ease industry's problems in acquiring the necessary pollution control equipment, some states are providing low interest loans through



PHOTO: WERNER WOLFF—BLACK STAR

John L. Stevens Jr., Delaware manager of industrial development, is pushing for nonpolluting plants like this one, on the heels of a law that bans further heavy industry on Delaware's coastline.

bond issues, while others are allowing liberal tax write-offs. Others are even buying the equipment and leasing it back to industry.

The 10 per cent investment tax credit called for by President Nixon is expected to be another plus factor in the acquisition of antipollution equipment.

If a slowdown in capital spending does materialize, one result will be another escalation in the already hot competition among the states for industry.

Most state governments are aggressively seeking new industry so they can keep the tax base broadening rapidly enough to pay mushrooming state bills.

Mr. Moylan's characterization of the situation reflects most state officials' views.

"Our state is deeply involved," he

says, "in fierce competition with other states for the location of industrial operations." He describes it as "a two-front economic war" in which New York is fighting to bring in new businesses and to keep the ones it has from moving away.

Fred F. Denton Jr., industrial development director of the Alabama Development Office, says Alabamans have become acutely aware that their prosperity depends upon attracting new payrolls. But he adds, "There just aren't enough payrolls to go around. The competition is at an all-time high."

Ecology comes first

In spite of every state's urgent need for economic growth, none are seeking to lure industry by making it easy on polluters. Protection of the environment has gained such popular support

that it has become a political commandment. States take pride in stringent antipollution policies.

Dr. David C. Sweet, director of the Ohio Department of Development, puts his government's attitude succinctly: "Industries with past histories of major air and water pollution will not be encouraged to locate in Ohio."

Says North Carolina's top industrial development official, Robert E. Leak: "We have no intention of attempting to attract to North Carolina a single industry that seeks to circumvent the antipollution laws of this state." He adds that the state does not want corporate citizens who "drag their feet" on pollution abatement, "hoping only to gain an advantage over their competitors in the marketplace."

The toughest action taken by any

No More Golden Eggs? *continued*

state, perhaps, was Delaware's passage of a law last June banning new heavy industry such as steel mills, oil refineries and chemical plants from its entire coastline.

"This was more than an antipollution action," says John L. Stevens Jr., manager of industrial development in Delaware's Department of Community Affairs and Economic Development.

He explains that about 10 miles of the state's coastline, which is less than 100 miles long, now are taken up by heavy industry. Without the law, he says, all of it could have been gone in another decade or so, "and no state would want that even if industry could eliminate pollution 100 per cent."

"But don't make the mistake of thinking that Delaware doesn't want new industry. We are attracting new plants at a much greater rate than ever in the past. We just want to keep them back off the shore, and we prefer light industry because it makes more sense for a small state which is short on land and power."

In Florida, one of the fastest growing states during the 1960s, the legislature acted this year to stunt the incursion of new industry. The state industrial development office's manpower was reduced by two thirds, all of its advertising funds were eliminated and it was forbidden from promoting development in Florida by out-of-state companies.

Curbing pollution was the main objective of this policy change. The opposition—the measure was passed by a slight majority—contended that pollution is not an inevitable consequence of industrialization, and the search for new industry continues to be pressed by local groups, particularly in Jacksonville, Tampa and the Florida Panhandle.

Most major U. S. corporations have gotten their pollution control programs under way with heavy spending. Last year, industry's total expenditures in this area topped \$5 billion.

Willing and able, but...

In general, businesses bore this extraordinary expense willingly. No major corporation has argued that the environment hasn't been abused

or that business shouldn't play a leading role in cleaning up.

State industrial development officials recognize and applaud industry's response. For example, Mr. Leak says: "In talking with leading industrialists throughout the United States, I am impressed and encouraged that a vast majority want to, and feel that they can, meet the standards and regulations set forth by federal, state and local governmental bodies."

But governmental antipollution programs have never stabilized. Regulations still are being formulated and enforcement authority remains fragmented.

Congress did act decisively in passing the Clean Air Act of 1970, which sets down quality standards limiting the amount of pollutants that can be found in the atmosphere at any point in the United States after 1975.

The states are to work out the details of implementing this law. Before the end of this year, each state, in conjunction with local and regional authorities, will set the emission limits for all existing factories, power plants, buildings, etc., so that the entire state will satisfy federal air quality standards.

These limits determine the performance, and cost, of the pollution control equipment that industry must buy.

The federal government's clout stems from the fact that each state's air emission plan must be approved by the Environmental Protection Agency, and EPA has the power to hold hearings any time it feels a state is not enforcing its plan.

Also, the Clean Air Act gives EPA the power to set strict performance standards for pollution control equipment in all new structures.

At present, it appears the water supply is going to be tougher to clean up than the atmosphere. Large numbers of federal, state and local water pollution regulations, many of them conflicting, are in force.

Congress and the Administration haven't been able to agree on up-to-date, unified standards which are attuned to the enormous technical and economic problems of an early cleanup of the waterways.

So far, business hasn't had many good words for government's anti-

pollution performance. Many executives claim the administrative machinery is hobbled by "politics and paper work."

Matthew Gould, national director of environmental control for Georgia-Pacific Corp., says, "It is high time we simplified and overhauled the creaking pollution control structure now bogged down in trivialities." He complains of "blind application of numerical standards" rather than assessing each situation on the basis of actual environmental impact.

Mr. Gould also warns that EPA's power to hold hearings could become "a pointed political weapon not wholly related to environmental problems," and he suggests other means be found to police state programs.

Three major worries

Basically, however, most business complaints boil down to three major concerns.

One is rapid change in regulations.

A case in point concerns a power company that spent two years and \$2 million to eliminate 98 per cent of the soot and ash emitted from its smokestacks. After the work was completed, the state upgraded its regulations to require removal of 99 per cent.

It cost more to achieve that final 1 per cent than it did to clean up the first 98 per cent. The company had to scrap much of its equipment and spend another \$4 million to meet the new requirement.

A second major concern is about the older portion of the nation's industrial plant. Usually it is far cheaper to build pollution control systems into a new plant than to modify an old one, especially if the pollution abatement goals are high.

Sometimes, major rebuilding is required. One troublesome situation, according to an EPA official, is that no existing equipment can filter the necessary amount of nitrogen oxides from the exhaust at some older types of power plants.

Consequently, completely new boilers may be needed.

At E. I. du Pont de Nemours and Co., says Vice President Samuel Lenher, "The big problem is with older plants. . . . We must completely



Corporate citizens who drag their feet on antipollution action, "hoping to gain an advantage over their competitors in the marketplace," won't receive North Carolina's traditional hospitality, warns Robert E. Leak, that state's top industrial development official.

redesign some of the process equipment, and in some instances the old plants would no longer be viable."

Harsh economic realities such as these could force an exodus of industry from many metropolitan areas if pollution control is rigidly implemented.

Many businessmen are worried about the possibility. David Rockefeller, chairman, Chase Manhattan Bank, says: "Forcing a shutdown of every factory that cannot meet rigidly regulated standards of environmental purity within a limited time period might stop the smoke. . . . But it could be a Pyrrhic victory for environmentalists and for the country as a whole if, in the process, it resulted in what has been termed 'environmental unemployment' . . . [and] an arbitrary stifling of our country's economic growth."

The third major concern is for equal antipollution rules across the nation.

Businessmen don't want to see their competitors handed an advantage

in the form of relatively low costs for pollution control.

State officials don't want rival states to gain an advantage in industrial development because they have less stringent antipollution laws.

Even equal standards can't guarantee that the costs of pollution abatement will be borne equally by all firms, all states or all taxpayers.

Tougher on some

It is inevitable that some will pay more than others.

One reason is that climate and geography determine, to a considerable degree, the pollution problems of any region.

For instance, much more hot water can be dumped into the cold, fast-running rivers of the Northwest without causing thermal pollution than can be dumped into the rivers of the South or into sheltered bays and lakes.

Since cooling towers can be very expensive, sometimes doubling the cost of factories and power plants, the

regulations on thermal pollution are of critical importance. If a factory is not allowed to raise the temperature of its discharge water even a few degrees, it can become uneconomic to operate.

Small wonder that the definition of thermal pollution is one of the most sensitive issues between federal and local officials in almost every state.

Topography and the weather also have a strong effect on air pollution.

Sometimes, abnormally warm air layers form a temperature inversion that holds polluted air in place below. This situation is particularly troublesome in cities at least partially surrounded by mountains.

Los Angeles is best-known for this handicap of nature. But it certainly isn't the only city with the problem. It will take extraordinary efforts to end smog in such areas.

Pollution cleanup costs also vary because some regions are far more polluted than others. In many crowded urban areas, industry must install the most efficient, and most

No More Golden Eggs? *continued*

expensive, pollution control equipment if there is to be any hope of meeting the new air and water quality standards. Even then, further industrial development may be impossible.

Dr. John T. Middleton, the EPA's top air pollution official, says: "Some communities doubtless will discover that [they]... simply cannot tolerate any more of certain kinds of industry, even after the best available technology is applied to that industry's pollution problems."

Many in industry have reached the same conclusion. Du Pont's Mr. Lenher says, "It is clear now that too many plants were put too close together in too few urban areas."

Thus, it appears that the environmental cleanup of the 1970s will give further impetus to industrial development outside the major metropolitan centers—where more than half of the industrial facilities built in the past decade have been located. Some regions apparently will be in the favorable position of offering industry relatively low pollution control costs.

To each its own

But it isn't likely that these costs will become the sole dictate in locating new industry. Too many factors affect the selection of plant sites and each industry has its own special requirements in choosing the "best" location.

Steel mills and chemical plants need to be near raw materials and low-cost water and power.

The paper industry's first consideration is to balance transportation costs for moving raw materials against those for the finished product.

In textiles, labor cost is the prime factor and transportation hardly matters.

For many other industries nothing is as important as being close to their market areas.

Since there can't be equality across the country in transportation service, in labor supply or in proximity to raw materials and markets, it probably won't be of great import that there can't be exact equality in pollution control costs. But it will be one more important factor that management must weigh in deciding where to build or enlarge its plants. **END**

Some Striking Facts About Lightning



Scientists now know that lightning flashes 18 billion times a year and strikes three billion times.

The toll those strikes take runs into many hundreds of lives and into many hundreds of millions of dollars around the globe. To cut the toll, scientists in private industry and government are trying to unravel lightning's mysteries.

Due to lightning, in the United States alone each year:

- About 150 people will be killed, another 250 injured.
- Some 22,000 fires will be started in settled areas, causing approximately \$100 million in damage.
- 10,000 forest fires will be ignited, adding many more millions of dollars in loss to public and private timber.

Those are average figures, according to the National Fire Protection Association. Actually, it reports, the situation is getting better because while more structures go up each year, the incidence of fires started by lightning is dropping in comparison to the total of all fires.

Association statistics show that in 1959 there were 29,400 building blazes identified as caused by lightning. This was 3.3 per cent of the total and resulted in \$30 million in damages.

In 1969 there were 22,600 such fires, and damages of \$39.4 million.

This was 2.3 per cent of the total fire loss.

Further reductions, safety experts and scientists believe, will come through a mixture of preventive measures—some of which won't be worked out until all the secrets of lightning are uncovered.

One thing appears probable—there won't be a reduction in the number of thunderstorms, those turbulent cumulo-nimbus clouds with anvil-shaped heads that produce nature's spectacular, destructive electrical displays.


Dr. Martin A. Uman, a lightning expert at Westinghouse Research Laboratories, says there are some 600 lightning flashes every second throughout the world.

The National Oceanic and Atmospheric Administration estimates that 100 of them strike the ground.

To gain more insight into lightning, scientists are using a variety of esoteric instruments, but the primary detecting instrument is the high-speed camera, which is able to catch the frenzy of electrons in millionths of a second.

Westinghouse scientists are among those working on the problem. Says Dr. Uman: "No one can explain exactly what causes lightning or precisely how it takes place."

It can, however, be priced out. A typical strike is the equivalent of 350 kilowatts of power. The cost on an electric bill—about \$7. **END**



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Those Phantom Profits

That "nice gain" may be illusory, but the tax collector wants his cut in real dollars

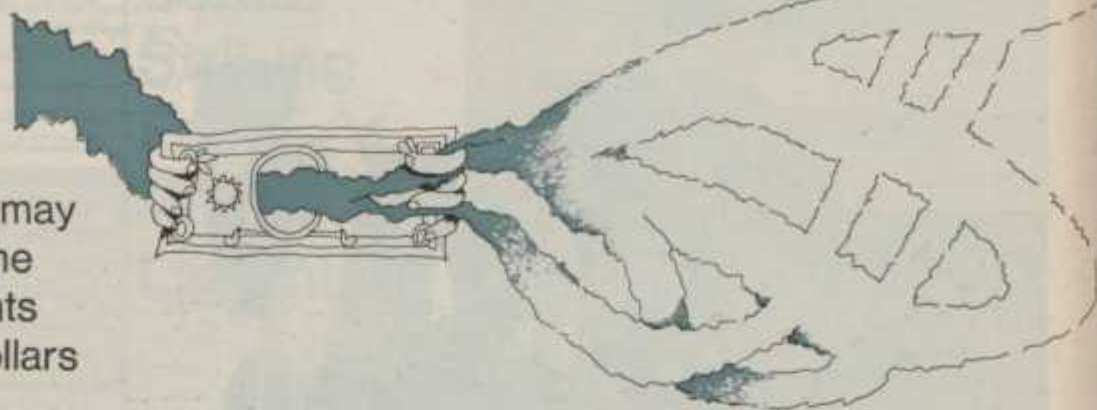


ILLUSTRATION: JACK LEFKOWITZ

So you're pretty pleased with yourself after getting more than \$16,000 for that corner lot you bought in 1950 for \$10,000.

"Nice gain," you might think, smugly. Well, think again, because not only have you not made a gain, you're going to wind up worse off as far as real capital is concerned.

The Consumer Price Index has risen over 60 per cent since 1950 and your \$16,000-plus has no more purchasing power than your \$10,000 did when you invested it.

And while your apparent profit is thus phantom income, that won't keep the tax collectors away. You'll pay federal income tax on the "gain," plus state and local income taxes if they're levied where you live.

The net amount will have less purchasing power than your \$10,000 did. You've been "robbed" of part of your capital.

And the more severe the inflation, the greater the probable rise in the selling price of assets in such cases and the larger the slice the tax collectors will take.

DR. EMERSON P. SCHMIDT, author of this article, is a consulting economist and a former director of economic research for the Chamber of Commerce of the United States.

Go back another 10 years with the same \$10,000. You invested it in 1940 and sold out this year for \$27,900—a paper gain of \$17,900. But the cost of living has gone up 179 per cent since 1940, so again there's been no gain at all and the same tax collector(s) will want 10, 20, 30 or a greater per cent of this purely phantom profit.

Living in an age of inflation, an investor should be alert to the dollar depreciation and the bite of the tax collector when he sells a rare book, a work of art, an antique, jewelry, real estate or securities.

Yet, most investors are not.

They usually cannot readily distinguish between a rise in the price of an asset due to inflation, and the rise due to an increase in the asset's scarcity value or earning power. They may fail to recall the year in which the item was acquired, or fail to realize how much the CPI rose in the period the asset was held.

Furthermore, most of these people are unaware of their own marginal tax bracket (their top bracket in the federal, and possibly state and local income tax laws), or whether their state and local governments distinguish between capital gains and ordinary income. Many do not know what the tax rates are, surprising as this may seem.

The taxpayer who turns over his income and other records to a tax attorney or accountant, and merely signs his return, is almost certain to be only vaguely familiar, at best, with these matters.

A decision to sell or not to sell an asset may be governed by the need for cash, or the opening of a better investment opportunity. But the total tax take, and the amount of inflation since the asset was acquired, should also be taken into account.

Taking the real measure

There's a simple formula for determining how much the current selling price of an asset represents inflation since purchase, for example, in 1960.

Deduct the 1960 Consumer Price Index from the recent figure of 121. Divide the answer by the 1960 figure of 88.7 and multiply by 100. That provides a rise in the index of 36 per cent.

If the security, work of art or other investment involved has risen less than 36 per cent since 1960, and if you sell, you will be liable for taxes on what actually amounts to a loss.

Annual earnings or returns on securities, mortgages and real estate are automatically corrected by smart owners for inflation and for tax bites. But the amateurs appear to be materi-

ally misled by high rates of return. Suppose, because of the current "excellent" interest rates, you decide to save an extra \$1,000 and lend it, say, at 8 per cent.

Your thrift is rewarded with \$80 at year's end. Yet, you may be getting a zero return on your savings, or even less, depending both on your tax bracket and the degree of inflation in the 12 months.

Since this is extra income which you earn only because of the very high interest rate potential, you first apply your marginal tax bracket to the \$80. Taxes may take one quarter, one third, or more of the interest return. Inflation at the rate of 5 per cent or more will take the remainder, and perhaps even more.

You end up with a zero rate of return, or maybe even a loss. Who's gouging whom? Is it surprising that interest rates doubled in the last half of the 1960s?

The money lenders and the Federal Reserve Board are blamed for rates of 8, 10 or 12 per cent. Yet interest rates are high throughout the Western world. The money markets are simply responding to supply-demand conditions. Informed savers and lenders will rent out their funds only if they can make a *real net* return—after taxes and the deterioration of the dollar.

How businesses are hit

You are subject to taxation of phantom income as a businessman as well as an individual. Let's see why:

1. Earnings are calculated after allowance for all costs including the annual depreciation of physical assets. But in an age of inflation such annual accruals fall far short of the growth in replacement cost of buildings, equipment and other productive facilities (not including land).

To replace a machine costing \$50,000 in 1950 may cost \$100,000 now. But the tax collectors will allow the owners to set aside free of tax only part of the current replacement cost. Thus, business profits as reported for tax purposes are overstated, and non-existing profits are taxed.

For 1970, business paid income taxes on about \$10 billion of capital consumption. This appears not only inequitable but also shortsighted,



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Phantom Profits

continued

since it is a tax on economic growth and expansion—the tax funds being diverted from potential investment.

2. In an inflationary age, inventories of raw materials, goods in process and finished goods may rise in price. This provides an "appearance" of gain. Yet when the inventory is sold off, the replacements cost more. But the income tax collector levies a tax on the mere rise in price of the existing inventory when sold.

In the last three years, inflation has cost U. S. corporations over \$6 billion in extra income tax payments because of the way in which many of them value their inventories. Overpayments could have been materially reduced by using the LIFO (last-in-first-out) method of pricing the inventory used up or sold, instead of the FIFO (first-in-first-out) method.

Under the LIFO method the cost of goods sold reflects more nearly current prices, and thereby reduces the enterprise's tax liability.

3. Many businesses find it advisable or even necessary at times to dispose of some asset or a part of the business. The tax collector looks only at the difference between the selling price and the historical cost. The difference—to him—is taxable profit. But the owner or investor must make correction for the cheapening of the dollar in order to determine any real net gain.

American business annually pays income taxes on some \$15 billion to \$20 billion of strictly fictitious income under the combined impact of these three sources of overstatement of profits.

This inequity and this bleeding of investment capital will go on so long as inflation persists, and the legislators (or courts) fail to make corrections.

If the leading corporations provided their shareholders with annual calculations of the phantom profits subject to income taxes, it might make millions of individuals more alert to the damage inflation does to earnings and economic growth. **END**

REPRINTS of "Those Phantom Profits" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: one to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance.

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Business life gives one quite a turn, sometimes.

Chris Raines, an adjuster for the Asheville, N. C., General Adjustment Bureau, received these directions when he set out to make a scheduled inspection on an insured dwelling:

"Go from Sylva to Tuckaseegee 40 miles from a shoulder. Turn left at a store on N. C. 281. Drive about 10 miles until you run out of pavement, then go about five or six miles to Wolf Creek Lake. Cross the dam, and go about one mile to a general store on the left. Go past the store about three or four miles until you see Tennessee Creek Lake on the right.

"Go to the end of the lake at a bridge, and turn left before crossing the bridge. Go straight about one mile until you see another bridge on the right, but don't cross it—go straight ahead. Wind up the mountain about three or four miles until you come out in a clearing with about five or six houses and a Christmas tree farm on the right.

"Go straight and look for a sign that says Forest Warden, Vaughn Owen. Just past the sign there is a sharp curve to the right. Park your car in this curve. There is a small road which goes down to the left. Walk down this road about two miles past an old log house and two sheds to the small frame house up on a hill.

"You had better wear some boots and take your gun along since two rattlesnakes were killed on this road during the past three weeks and one of them had 18 rattles. Also, there are some wildcats in the area."

Mr. Raines made it just fine, reports the Bureau's *GAB News and Views*. **END**

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The New Discovery of America

Direct foreign investment in U. S. ventures is soaring—though it's still far behind U. S. investment abroad—as more and more Europeans, Canadians and Japanese find their businesses can make a go of it here

The Good Humor man motors up the street, bells tingling, and children pour out of homes to buy his ice cream. It's a 100 per cent American scene—except that the Good Humor Ice Cream Co. is foreign-owned.

Hair is unruly from swimming and too much sun. Scores of products make it behave. One is Brylcreem. It, too, is foreign-owned.

Everyone knows that BP stands for British Petroleum and therefore must be British, that Volkswagens are German, that Datsuns are Japanese. But the average American would be astounded to learn the extent of direct foreign business investment in the United States.

Do you write with a Bic pen? Drink Carling beer or Seagram or Hiram Walker whiskey? Smoke Kool, Raleigh or Viceroy cigarettes? Listen to Capitol records? All are products of foreign-owned firms.

Over \$13 billion of foreign money is directly invested in U. S. companies—that is, in ground, plants, equipment and operating capital. The sum does not include investment in stocks of American companies—another \$26 billion. Nor does it include holdings in investment properties rented to others.

The flow of direct investment from abroad into U. S. business in 1966

added up to \$89 million. In 1967 an additional \$133 million was invested here. During 1968 the inflow skyrocketed to \$426 million. In 1969, \$538 million was added, and last year \$690 million came in.

Latest available figures indicate that the \$13 billion-plus total breaks down into \$5.3 billion in manufacturing, \$2.5 billion in petroleum, \$2.2 billion in insurance, \$1 billion in retailing and wholesaling, and \$2 billion in miscellaneous categories.

For every \$25,000 of this investment, one American job is created.

American business investment abroad is still far higher—now touching on \$70 billion. However, foreign operations in the United States are increasing at a faster rate than Americans are buying up or establishing businesses in other countries.

Statistics for 1969, latest available, show that net assets Europeans own here rose by something like one fifth for the year while assets of U. S. investments in Europe rose by something over one tenth. These changes include newly arrived establishments as well as increased assets of earlier arrivals.

Traditionally, American investments abroad have leaned toward companies producing vehicles, chemicals, electrical devices and engineer-

ing products. Foreign investments in the United States are increasingly more diversified.

By country, the largest foreign investments in the U. S. are British and Canadian.

A favorite ploy of Canadians has been to buy a plant just across the border and service it from plants and offices a few miles away in Canada.

New York is No. 1

This partially accounts for the fact that New York leads all the states in the number of manufacturing firms within its borders which are foreign-owned or are the product of joint ventures of foreign and U. S. companies.

Another reason is that foreign companies once had the impression that without a New York headquarters, they weren't really in the United States. But this attitude has changed in recent years as plants owned abroad or in U. S.-foreign joint ventures have spread across the country.

As of last spring, the Commerce Department reports, the 20 states with the largest number of such plants were: New York, with 168; New Jersey, 87; Pennsylvania, 47; California, 32; Illinois, 31; Massachusetts, 27; Ohio, 25; South Carolina, 23; Michigan, 18; North Carolina, 17;



Gov. Linwood Holton of Virginia waves a greeting as an industrial development delegation from his state arrives in Belgium. The Old Dominion actively seeks foreign plant investments, and has had spectacular results with this person-to-person type presentation, as the other pictures show.



Germany's Liebherr-America will build excavating equipment like this (demonstrated by Ernst Berndt) at a Newport News industrial park.

English-owned ICI is building a photo-chemical plant outside Richmond. Here, J. Frank Alspaugh (left), director of Virginia's Division of Industrial Development, tours it with Luther Smith, engineering manager.



PHOTO: LEROY WOODSON

WOOING— AND WINNING— FOREIGN INVESTMENT

Michael J. Garland, general works manager for German-owned Fritz Werner Co., discusses a computerized milling machine with N. L. Sherman, Virginia international development official (right), at Werner's Newport News facility.

continued



The New Discovery of America *continued*

Texas, 16; Louisiana and Connecticut, 15 each; Virginia and Tennessee, 13 each; Alaska and Washington, 11 each; Maryland and Missouri, 10 each; and Georgia, nine.

A U.S. map showing concentrations of the plants proves foreigners prefer to be fairly near major seaports, or within 100 miles of international airports. Europeans greatly prefer the East; Japanese prefer Alaska and to a lesser degree California. States with right to work laws are particularly attractive. Availability of cheaper labor is a factor, though obviously not a determining one.

A number of states make a point of trying to bring in foreign investment. It can pay off richly.

Southern hospitality

Take Virginia, for example. During the past three years, it has become one of the most aggressive states in seeking foreign firms.

Virginia, New York and Illinois are the only states maintaining full-time offices in Europe whose sole job is to supply information which will attract direct foreign investments. Several Virginia trade missions have toured abroad, usually headed by the Governor and including top Virginia businessmen.

A staff of specialists works in Richmond directly under the Governor. It includes statisticians, and experts in foreign languages, real estate and various types of manufacturing. In many cases the state shrewdly woos a company through the blandishments of a naturalized American who immigrated to Virginia from the company's home country.

A variety of inducements involving large sums of money are offered. Virginia's community colleges will send instructors to home offices of foreign companies to learn their particular methods, so that training of new workers in Virginia can be carried out before the foreign plant opens. After the plant is set up, Virginia continues to help by arranging financing, and by giving advice on visas, schooling for dependents, housing and hiring.

Now, a historic area 10 miles southeast of Richmond called Bermuda Hundred is under intensive industrial development and Imperial Chemical

Industries, Ltd., of London, is completing a \$50 million polyester film plant there. ICI owns 75 acres and has an option on 75 more for expansion.

Nearby, Brown, Boveri & Co., of Baden, Switzerland, is completing a \$10 million turbine generator assembly, test and service facility.

In Copeland Industrial Park at Newport News, there is a babel of languages.

Two plants belong to German firms—Fritz Werner Co., of West Berlin, a manufacturer of large toolmaking and milling machines, and Hans Liebherr, of Biberach, a maker of very large construction equipment, including cranes and hydraulic excavators. Liebherr is spending an initial \$15 million on building and equipment.

Munck International, of Bergen, Norway, and Unarco Industries, of Chicago, have put into operation a joint venture to build and market large lifting devices.

A dozen other countries also are represented at the industrial park.

Most foreign subsidiaries in the U. S. depend almost entirely on American workers, at both blue- and white-collar levels. Usually there will be only two or three non-Americans once the plant is established. As a rule, U. S. companies send considerably larger numbers of Americans to their operations abroad.

Frank Sheaffer, director of an office in the Commerce Department's Bureau of International Commerce the aim of which is to increase the inflow of direct investment, says that in recent months foreign and American companies have increasingly shown interest in forming joint ventures.

Mr. Sheaffer and representatives of more than 20 states spent a week in Munich in June discussing with some 200 German, Austrian and Swiss industrialists the ins and outs of locating in the United States. Possibilities of joint ventures were a major selling point.

"American companies can acquire expert technical information by joining forces with foreign firms," Mr. Sheaffer says, "and at the same time they can diversify product lines. Foreigners get ready-made access to the huge American market and first-hand opportunities to learn the latest

American manufacturing and administrative procedures."

He estimates that by 1975, 20 per cent of the U. S. gross national product will result from direct or portfolio investments of foreign companies.

Cutting us down to size

Mr. Sheaffer says the increased growth of direct foreign investment here is partially due to foreigners overcoming a tendency to look on the U. S. market as too big to tackle. They now feel the United States can be treated as a series of regional markets.

Also, foreigners are no longer convinced that large American firms are too outsized to compete with on their home ground.

"They used to think every American firm was another General Motors," Mr. Sheaffer says. "They now are catching on to our system of subcontracting which gives smaller companies a piece of the work. In Europe most companies do their own entire work."

And, Mr. Sheaffer reports, "foreigners are realizing finally that American wages per unit of production in many cases are cheaper than wages per unit abroad—or at least just as cheap."

"On the basis of certain studies it appears that anything made in the United States with less than 55 per cent labor content is cheaper to produce than it would be abroad. This is because our fringe benefits amount to an average of 24 per cent while in Europe, where such things as Christmas bonuses, 13 months' pay a year and free vacation homes are commonplace, fringe benefits average over 50 per cent."

Foreigners are finding other points in favor of their coming over, Mr. Sheaffer adds.

"American automation is vast," he says, "and we have excess labor while Europe has a labor shortage. Finally, foreign companies are only now coming to understand the American money market."

Mr. Sheaffer says his office and the state industrial development offices need to reassure foreigners about antitrust laws, from time to time. "Actually," he says, "the only prob-

lem is when a big foreign company wants to go in with a big U. S. company. Then the Department of Justice bucks."

About 790 wholly or substantially owned subsidiaries of 509 foreign companies are in the United States. Another 400 are in various stages of setting up shop or of seriously acquainting themselves with American conditions prior to making the final decision on whether to come. Most of these 400 are expected to reach an affirmative decision within the next three or four years.

The British had \$3.5 billion in direct investment here at the end of 1969 (last year for which figures are available), the Canadians, \$2.8 billion. The Dutch had \$2 billion—which, incidentally, is more than twice as much as American business has invested in the Netherlands.

In recent years German giants, especially the chemical makers, have moved boldly into America. They include Hoechst and Badische Anilin & Soda-Fabrik (BASF).

Successful old-timers

Some foreign firms overcame fears of the American giant many years ago and set up highly profitable operations here.

They include the Dutch-British Unilever, Ltd., which owns Lever Brothers which in turn owns the Good Humor Ice Cream Co. and many other American subsidiaries; the Dutch-British-owned Shell Oil Co., which is very big in many lines; Bowater Corp., Ltd., of Britain, manufacturer of paper for 21 American daily newspapers; Rio Tinto-Zinc Corp., Ltd., of Britain, owner of U. S. Borax and Chemical Corp. and part owner of U. S. Potash; Philips, of the Netherlands, owner of U. S. Philips Trust with its 36 subsidiaries including Norelco electric devices; Olivetti-Underwood of Italy, office equipment maker; France's Pechiney Co., primary owner of Howmet Corp., maker of aluminum products; Petrofina of Belgium, oil products supplier; Schweppes, of Britain, bottler of a variety of top grade drinks; and Dunlop, of Britain, maker of auto tires, sports equipment and other items.

And a list of well-known "American" firms with total, majority, or at

least substantial, foreign ownership must include:

- Hiram Walker & Sons; Carling Brewing Co.; Joseph E. Seagram & Sons, Inc., vintner Paul Masson, Inc., and Texas Pacific Coal and Oil Co., subsidiaries of Distillers Corp.-Seagrams Ltd.; Alcan Aluminium Corp.; American Malting, Inc.; International Nickel Co., Inc.; Moore Business Forms, Inc.; soft drink bottler Orange Crush; Thomson Newspapers, Inc., publisher of 34 American dailies and 11 weeklies; and National Tea Co.—all Canadian.

- Beecham, Inc., maker of Brylcreem, other toiletries and medicines; Brown & Williamson Tobacco Corp., maker of Kools, Raleighs and Viceroy; Aleutian King Crab, Inc. and Lenthic, Inc., subsidiaries of British-American Tobacco Co.; Capitol Records, Inc.; Standard Oil (Ohio), in which British Petroleum has a sizable interest; The Indian Co., motorcycle and engine maker; Brooke-Bond Foods; Coats & Clark, Inc., yarn and thread maker; American Zinc, Lead & Smelting Co.; Gestetner Corp., maker of office machines; Lea & Perrins, Inc., food processor; Horlicks Corp., malted milk processor; International Paint Co.; Alloys Unlimited, Inc.; and T. J. Lipton Co., tea and food processor—all British.

- Waterman-Bic Pen Corp.; American-Saint Gobain Corp.—French.

- Wyandotte Chemical Corp.; United States Cable Corp.; and Koh-I-Noor, Inc., maker of drawing and writing instruments—German.

- Bumble Bee Seafoods and Don Juan Manufacturing Co., textile producer—Japanese.

- International Salt Co. and American Tobacco Corp.—the Netherlands.

- SKF Industries, Inc., ball and roller bearings manufacturer, and Delta Match Corp. of Louisiana—Swedish.

- CIBA Corp., maker of agricultural chemicals and pharmaceuticals; Toms River Chemical Corp.; Geigy Chemical Corp.; Crosse & Blackwell, and Libby, McNeil & Libby Co., both food processors—Swiss.

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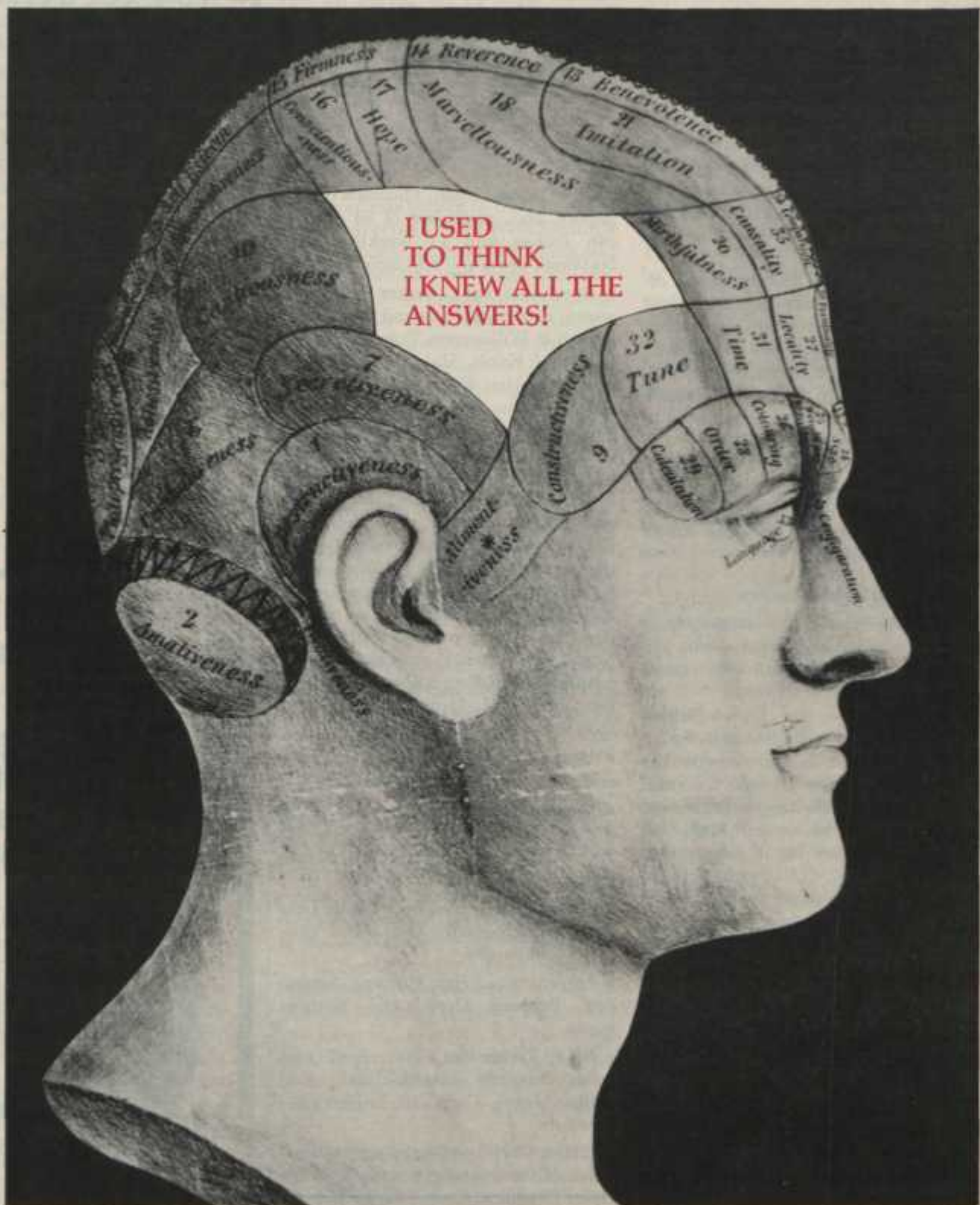
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Associate Editor

AGRICULTURE

While urban renewal will remain a top federal government priority, rural areas and small towns, which contain about 60 per cent of the nation's substandard homes and only 30 per cent of the population, are going to receive more housing assistance in the future.

Nearly 500,000 people from these areas moved into new or modernized housing last fiscal year with the aid of \$1.4 billion in financing provided by the Farmers Home Administration. This fiscal year, it's esti-

mated the number will be 600,000; \$1.6 billion in loans is authorized.

An acknowledged stimulant has been the authority to grant loans to residents of towns having less than 10,000 population. Over 800 towns were added to the eligibility list when the population limit was raised from 5,500 in 1970.

Certain to be a future factor is the urban dweller who wants to leapfrog suburbia to live in towns of 10,000 or less. He also qualified last year for rural home financing.

CONSTRUCTION

The prospect of dramatic reductions in the cost of installing and operating heating and air conditioning systems in buildings is prompting architects and engineers to consult with the U. S. Postal Service.

The Service has developed for its own use a computer program which, it says, designs environmental systems so accurately that savings of up to 35 per cent can be expected on cost of original equipment and as much as 30 per cent on annual operating and maintenance costs.

Postal Service construction experts cal-

culate that as much as 25 per cent overcapacity in heating and air conditioning is often designed into buildings.

It has made the program available free of charge to other government agencies, to scientific institutions and to industry. Some businesses have already used it.

Postal officials say a computer technician, in 16 hours, is able to produce highly accurate equipment and energy recommendations that would normally require 90 days' work by two engineers using conventional methods.

MANUFACTURING

Higher interest rates charged by the Treasury will affect profit margins for some defense and space manufacturers.

Since 1951, government contractors have had to report profits annually to the Renegotiation Board. If they make profits the government considers excessive, they're required to pay them back. Until recently, they have been charged a nominal 4 per cent interest rate in the repayment period.

But, as directed by Congress, the Treasury will now review the interest rate every six months and keep it in step with the times. As a result, it was increased to 7% per cent in July.

Renegotiation Board Chairman Lawrence E. Hartwig believes the new rate "will be an inducement" for earlier repayments. Pos-

sibly \$500,000 in additional interest costs will be involved, although officials say it is hard to estimate.

(All things considered, "excess" profits involved haven't been astronomical. They totaled \$33.4 million in 1970.)

Equally difficult to predict is the full impact of slower progress payments to contractors, which the Defense Department is scheduled to start making on Jan. 1.

Critics have long claimed that the current schedule for these installment payments is too liberal. They've said it's the equivalent of giving interest-free loans.

Because of the slower payments, it's estimated, as much as \$700 million of new private capital will be needed by the industry as a whole over a four-year span.

THERE'S A LOT OF AMERICA IN MISSISSIPPI,

Mohasco Industries, Inc.
Glenn's All American Sportswear, Inc.
Emerson Electric Company
Northwest Industries, Inc.
International Telephone & Telegraph Corp.
Puritan Fashions Corporation
Georgia-Pacific Corporation
Hammond Corporation
I. C. Issac & Company, Inc.
Consolidated Foods Corporation
National Presto Industries, Inc.
Sperry Rand Corporation
Genesco, Inc.
Itawamba Manufacturing Company
Reed Mfg. Co., Inc.
Walter Kidde & Company, Inc.
Mansfield Tire & Rubber Company
Allegheny-Ludlum Industries, Inc.
Sheller Globe Corporation
W. R. Grace Company
Kayser-Roth Corporation
The Magnavox Company
Rockwell Manufacturing Company
Textron, Inc.
Kroehler Manufacturing Company
Nicholson File Company
Altamir Corporation
Pullman Couch Company, Inc.
Crystal Springs Shirt Corporation
Oxford Industries, Inc.
Magna Corporation
Mississippi Industries for the Blind
Purnell's Pride, Inc.
DeSoto, Inc.
Garen, Inc.

American Blitrite Rubber Company
Intersystems, Inc.
McGregor-Doniger, Inc.
General Tire & Rubber Company
Beatrice Foods Company
Hansley Industries, Inc.
Cook Industries, Inc.
Flintkote Company
City Investing Company
Airline Manufacturing Company, Inc.
B. C. Rogers & Sons, Inc.
Johnston-Tombigbee Furniture Mfg. Co.
Workwear Corporation
Allied Enterprises
Riverside Industries, Inc.
Pass Christian Industries
Raleigh Corporation
Corinth Manufacturing Co.
J. H. Rutter-Rex Manufacturing
Rapid American Corporation
W. G. Avery Body Co., Inc.
Mid-States Metal Products
American Hospital Supply
Zinsco Electrical Products
Borden, Inc.
Diamond International Corporation
The Hoover Company
Prentiss Manufacturing Company
Winfield Manufacturing Company
Noel Industries
The Clarion Ledger & Jackson Daily News
Chicago Mill and Lumber Company
Boystone Shirt Co., Inc.
Lucedale Sportswear Co., Inc.
Pavco Industries, Inc.
Sardis Luggage Company
Weyerhaeuser Company
Hardin's Bakeries, Inc.
Gulf & Western Industries, Inc.
General Electric Company
Berren of California
MTD Products, Inc.
Coronet Ind., Inc.
Keystone Consolidated Industries

Regal Ware, Inc.
Wayne Poultry Company
Macon Pants Corporation
Consolidated Packaging Corporation
Adams Egg Farms, Inc.
American Potash & Chemical Corp.
Burris Industries, Inc.
Sunbeam Corporation
Ely & Walker Manufacturing Co.
Norton Simon, Inc.
Glaser Enterprises, Inc.
Jackson Packing Co.
M-R-S Manufacturing Company
Murray Envelope Corp.
The Van Heusen Company
American Electric Manufacturing Corp.
Johns-Manville Products Corp.
Filtrol Corporation
H. K. Porter Company, Inc.
State Poultry Co., Inc.
Oliver Tyrone Corporation
Udico Corporation
Cooper's, Inc.
Rivera, Inc.
Acme Quilting, Inc.
Emhart Corporation
Varsity Industries, Inc.
Lucky Star Industries, Inc.
Ram Golf Corporation
Continental Can Co., Inc.
Aircap Manufacturers, Inc.
Rangaire Corporation
Delemaide Slacks Company
Dura-Containers, Inc.
Emro Mills Corporation
Kuhlman Corporation
National Service Industries
Meywebb Hosiery Mill
Russell Aluminum Corporation
Marshall Durbin
National Picture & Frame Company
Ram Tool Corporation
Reliance Universal, Inc.
Allied Chemical Corporation

AND ROOM FOR MORE.

(This is only a partial listing of
industries in Mississippi)

Why are many of America's largest industries in Mississippi? Because they're successful in growth and profits. We have room for your plant and the climate for success. Also, you'll have clean air, an abundance of water plus thousands of productive workers. Come to Mississippi . . . we have a place for you. Write for your copy of Mississippi's new book "The State of the Future."

Send to Hubert Stephens, Director, Mississippi
A & I Board, P. O. Box 849, Jackson, Ms. 39205.

MISSISSIPPI
The State of the Future



—John Bell Williams, Governor



My father never heard of a nanosecond, but he taught me all about time.

"He's a real worker, my father. And he taught me almost all I know. Well, almost all.

'We reckon hours and minutes to be dollars and cents,' he said over and over.

It sank in.

So I'm on time for work.

On time for classes.

And that's where I learned about a new kind of time.

Not hours and minutes.

But minute fractions of a second."

It's because of people like this and companies like yours that Virginia has a balanced system. A system designed for intelligent growth.

And part of that system is education.

At present, there are 38 four-year, higher education institutions, both private and State-sponsored. And 11 two-year colleges.

In addition, there is a State-sponsored system of two-year

Community Colleges with a Special Training Division.

Right now there are sixteen.

We plan to have twenty-two.

With thirty-four campuses.

The purpose of the program is to have employees trained and ready to work the day your plant begins production.

You might also like to know that all instructors, including those supplied by your company, are paid by Virginia.

So why don't you learn more about Virginia's balanced system for intelligent industrial development?

A lot of Virginians are.

Let Frank Alspaugh give you the details. He's the Director of the Division of Industrial Development. Write to him at the Governor's Office, 1014 State Office Building, Richmond, Virginia 23219.

Virginians
Their system is working.

CREDIT AND FINANCE

A talking computer may be the answer to the steadily rising operating costs facing savings and loan associations.

First Federal Lincoln, Nebraska's largest S & L, is in the process of installing a computerized teller system that is expected to cut the average cost of individual transactions from \$1.75 to 50 cents.

While the traditional passbook will still be offered, a customer who opts for the new system will be issued a magnetized plastic ID card that will activate the computer when the card is inserted into an IBM 2730

terminal. A human teller will then be able to ask the computer for information, such as the customer's balance, via a keyboard. The computer's response will be audible—a recorded human voice will frame the reply from a stored 180-word vocabulary.

The system is expected to virtually eliminate teller transposition errors while almost instantaneously updating accounts.

John Dean, First Federal's vice president and general counsel, predicts a later system will be "hands off," combining a print-out with the voice response.

FOREIGN TRADE

The noodle offers the most appetizing prospect for any significant trade with Communist China.

Other than potential markets for agricultural products, experts see little chance for sizable exports to the Chinese in the near future.

Last year, Peking's imports totaled \$2 billion. Of this, about \$160 million was for wheat, and Canada has this market. The

Chinese are getting "hard" wheat, which accounts for over 90 per cent of Canada's crop.

"Soft" wheat, however, is best for making Oriental noodles. A poor "soft" wheat crop in China could send Communist traders out to look at other suppliers. Usually, about 40 per cent of wheat grown in the U. S. is "soft"—and there is an ample surplus.

HUMAN RESOURCES

Fewer hours per day and week, rather than fewer days and a 40-hour week, are still organized labor's goal despite all the talk about a four-day week.

The AFL-CIO wants a 35-hour workweek with double pay for overtime. To get it will mean changing the Fair Labor Standards

Act of 1938, which set the present 40-hour week and time and a half for overtime.

AFL-CIO economist Rudolph Oswald estimates that between eight million and 10 million workers are now on normal workweeks of less than 40 hours. The majority are on 35-hour weeks.

MARKETING

Look for some supermarkets to stay open around the clock, and many more to extend their shopping hours.

According to a National Association of Food Chains official, the 24-hour operation is the next big change for chains. Prime locations for such stores will be urban industrial areas with three-shift work forces, and areas where there are heavy concentrations of working wives.

Behind it all is the widespread adoption of discount pricing, which prompted experiments with longer hours of operation. In certain areas the needed volume has been gained by extending operations from 12 hours to 15 hours; in others it hasn't.

Industry experts predict that at the most, 15 to 20 per cent of the chain stores throughout the nation will go on extended hours.

NATURAL RESOURCES

Although U. S. Forest Service scientists are confident that by 1975 new measures under development will effectively control the destructive gypsy moth, there will be a serious loss of valuable oak and other hardwoods in the meantime unless chemicals are temporarily brought back into use.

The insect, once kept in check through use of chemicals such as DDT, has been spreading rapidly in nine Northeast states. An estimated two million acres had defoliation damage this year. After two or three defoliations, half of the trees usually fail to survive. Oaks are among the most susceptible.

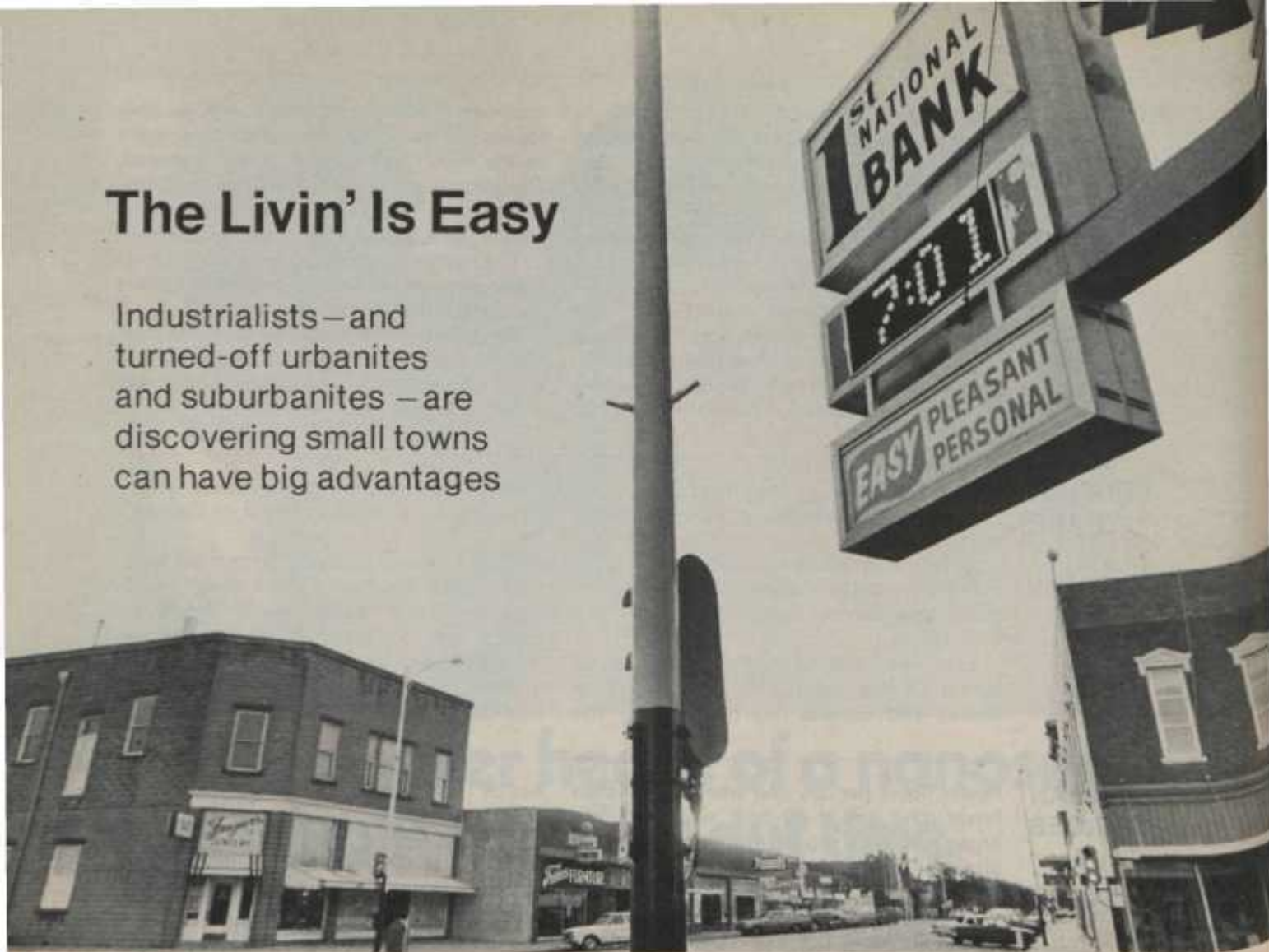
The federal government in this fiscal year will spend \$1.8 million on research and development plus \$2.2 million for survey, quarantine and other control measures. Pennsylvania, New Jersey and New York are also making large investments in the search for a solution to the problem.

The Forest Service is banking on an "integrated control strategy" to stop the insect.

Included are new and safer chemicals, use of predators and parasites, microbial controls and Disparlure, a synthetic sex attractant that lures the male moth to its doom.

The Livin' Is Easy

Industrialists—and turned-off urbanites and suburbanites—are discovering small towns can have big advantages



Don't write off America's small towns.

It's true many are declining or even dying. But a great many are very much alive. And a lot are growing rapidly.

While business deserves much of the credit for the vigor of thousands of small towns, equal credit must go to the quality of small town life, which continues to attract countless people from the harried cities.

Small towns have problems too, but they somehow don't seem so onerous where everyone knows everybody else and most problems are out in the open for all to share.

An important reason why the current vitality of small towns has not received wider recognition may be uncritical acceptance of Census Bureau reports that the population of

farms and rural communities has declined in the last half-century from 49 to 26 per cent of the total population.

Putting it that way obscures the fact that, in the same period, the number of rural residents actually increased—from 51.5 million to 53.8 million.

"There has been too much generalizing about small towns," complains economist Alfred Hong. "The people who are saying small towns are dead simply must not be looking at them hard enough. Instead, they see that some small towns in the Plains States are declining and they jump to the conclusion that all small towns throughout the country are in the same boat."

This, says Mr. Hong, who is director of research for the Survey of

Buying Power, published by *Sales Management*, "just isn't so. Look what's happening to small towns in California, Florida, Illinois, Ohio and Mississippi. Many are healthy, growing. And that's true of a lot of other small towns elsewhere."

In addition to rural population growth, there is other evidence to support Mr. Hong's view:

- Of the 4,300 towns with populations of 2,500 to 10,000, 72 per cent grew in the 1960s, while only 28 per cent declined in population. Losers exceeded gainers in only four states. (The Census Bureau does not classify towns in that population category as rural communities and a considerable number of them are in fact suburbs of cities, but a great many are far out in the country, as rural as any hamlet on the Kansas prairie.)



- Every small town in Connecticut has increased in size in the last decade.
- In Nebraska, supposedly one of the states in which small towns are dying fastest, incorporated villages and small cities that gained population in the same period outnumbered those that withered.
- The Census Bureau is now beginning to identify lightly populated counties that have shown a surprising capacity for growth when nearby counties were declining. The "growth centers" include such diverse places as Coffee County, Ala.; Campbell County, Wyo.; and Grand Isle County, Vt.

Economic lightning

Why are small towns still growing? The reasons vary.

Some are struck by what could be called economic lightning.

Oil was discovered near Gillette, seat of Wyoming's Campbell County, and the community doubled in size. Naples, Fla., gained sudden prominence as a winter resort and its population tripled.

A group of developers chose Waterville Valley, N. H., for a ski resort. Wilkesboro, N. C., was selected as the site of Wilkes Community College and there was an additional influx of population after the town acquired several clothing factories.

Other towns grow more slowly as newcomers arrive to take over existing businesses and the former owners remain in retirement or other activities.

Still other communities don't wait for growth to be thrust upon them. Their civic leaders work hard to bring it about by taking steps necessary to attract new industry.

In 1960, the town of Cozad in central Nebraska had only 3,180 population as a farm and milling center. A group of citizens then organized an industrial development campaign.

The first major success was persuading the Monroe Auto Equipment Co. to locate a new plant, which employs 650 workers, in Cozad. Since then, other businesses have moved in.

Today, Cozad has grown to 4,230 people (Lexington, the county seat, gained only 46 in the same period) and further growth is expected from a drive to provide housing for Monroe

The way of life in Cozad, Nebr., is aptly summed up by the bank sign (opposite page) describing the services offered inside. There's no traffic rush on the downtown streets and even on a rainy day the City Park is a great place for bike riding. Open spaces, with lots of grass and trees, are among the reasons why Cozad, along with many other small towns across the country, is growing and prospering.



Cozad mailman Paul Sweeney works in an atmosphere far different from that of his counterparts in big cities.

workers who still commute from surrounding towns and farms.

"There's no doubt about it, we're going to keep on growing," says Joe Alverson, editor of the *Tri-City Tribune*.

Lots to offer

Mr. Alverson, who arrived in Cozad from Colorado in 1965, views his adopted community as "a nice, clean town with lots to offer. You might not think it looks like much, but it's a fine place to live."

And the Monroe company is equally delighted with its choice. "Everything's worked out wonderfully well," says Larry Meares, industrial relations director.

"You might say we're committed to small towns. They offer an excellent environment for us.

"People seem to have a more distinct set of mores than those in large cities. Furthermore, the people are more alike. That tends to make it

easier for an employer to identify his employees' needs and to satisfy them.

"Thus, you get a closer, more productive relationship."

The head of a company that helps businesses locate new plant sites is one of the most vocal of the small town enthusiasts. Leonard C. Yaseen, chairman of Fantus Co., says that small towns, while obviously not right for every company, offer many advantages.

"Wage rates, taxes and living costs are lower than in cities," Mr. Yaseen reports. "Productivity is higher and work stoppages fewer. Employee loyalty is excellent."

Fed up with suburbia

A lack of cultural facilities is the only real remaining drawback in small towns, he says, but "on the other hand, life can be very pleasant. I'd say the reaction of men who have moved to small towns is almost universally favorable."

Small towns are proving to hold attractions for individual families, as well as industries.

In Essex, Conn., a leisurely little out-of-the-way town near the mouth of the Connecticut River, a young housewife explains: "We came here because we were frustrated by suburbia.

"It was the whole business of power mowers and country clubs, of going down to the shopping center Saturday morning and putting a dime in a meter two blocks from where you wanted to be. It was fighting traffic jams and chauffeuring kids to dancing class."

Says her husband:

"We were just fed up. We wanted to get out of the rat race, to live a more relaxed, natural life."

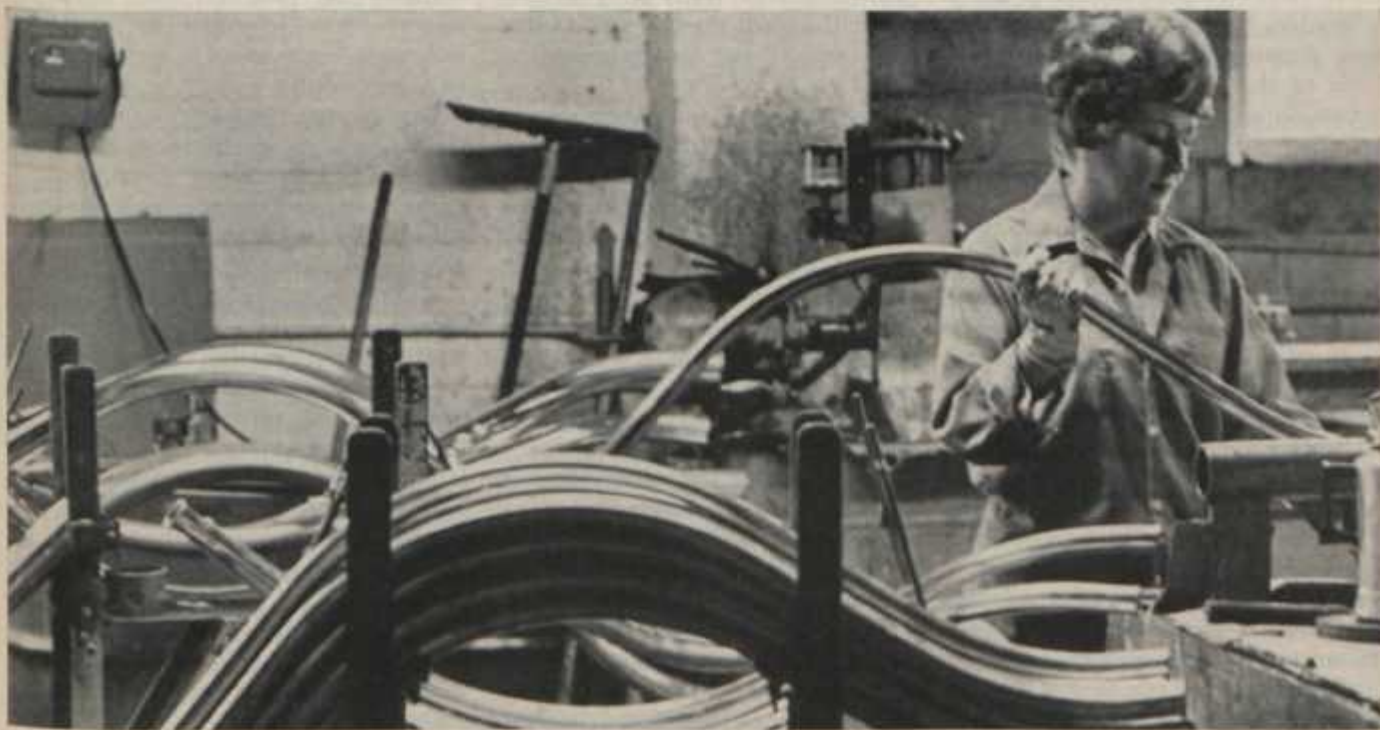
Essex was once a magnet for the retired. Now, some of the newcomers are younger men transferred to the small and medium-size plants moving into the general area. Some commute



David Burkholder, 28, is among the younger community leaders helping Cozad grow. He has a master's degree in business administration from Stanford, owns a farm service business.



Bill Young's frequent office attire might surprise his fellow bank presidents, but not his fellow townspeople. He goes directly to work at the Cozad State Bank after inspecting his 400 head of cattle and 400 pigs.



Cozad's growth has provided jobs for many area residents like LaVonne Parks, here packaging aluminum tubing.

The Livin' Is Easy *continued*

to Hartford or New Haven—or even New York—over superhighways. Other new residents are manufacturers' representatives or salesmen who work out of their homes. A few are airline pilots who fly only part of the month and have the rest of it to themselves.

Four years ago, a young salesman moved from Indianapolis to Nashville, Ind. (population: 750). He now commutes daily by car—a 100-mile round trip.

"You'd think I'd be sick of driving," he says, "but—I'm surprised myself—I'm not. I can't tell you how much less tense and more happy we are, living here."

In Exeter, N. H., (population: 8,900) a young engineer who quit his job rather than be transferred echoes the sentiments of generations of small town Americans:

"A small town is just a warmer, easier place to live life as you and

your kids want it, not as social pressures say you must."

—STANLEY SCHULER

REPRINTS of "The Livin' Is Easy" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: one to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

Corporate Utopia: RFD?

The time may soon be upon us in the United States when the job will follow the man rather than the man pursuing the job.

And, when that occurs, it bodes only good times for many of the smaller communities in our land.

This view, I am aware, puts me in direct opposition to most of the nation's urbanologists, sociologists, demographers and politicians. They still hold that the nation is going metropolitan, that nine out of 10 Americans will live in urban centers by the year 2000.

Admittedly, my personal survey is of the horseback variety. But we do employ 5,000 people in 72 offices across the nation, and transfer several hundred of them each year.

We are constantly bringing in men from field offices—most of them in huge metropolitan areas—to our headquarters at Stevens Point, Wisc. They and their families come reluctantly, skeptical of doing time in the piney-woods Siberia of central Wisconsin.

Three years later, when we promote them again, back to the action in Detroit, Chicago, Atlanta

or New York, they leave kicking and screaming, often pleading to continue living the good life of Stevens Point.

The suburban ethic is fast disappearing as the only religion of the young organization man on the make. He is, indeed, balancing his family's quality of life against its quantity of life. He is finding that in urban America today, more is less.

In one survey, pollster Lou Harris asked: What do you consider the ideal type of area to live in? Only 17 per cent selected the city.

By 1980, half the nation's work force will be producing or servicing products that do not exist today. Thousands of new plants will be built somewhere in this nation by 1980.

"Somewhere" could be the small town, U. S. A. How small? I don't really know. Perhaps somewhere between 10,000 and 200,000—at least much smaller than Boston, Baltimore, Dallas and St. Louis.

More important than size, it appears, are the accommodations and recreational and educational facilities, the general quality of the environment.

For example, a college or university with a cultural and academic impact on the community is an enormous plus. School and medical

opportunities must equal, or nearly equal, the suburban facilities many of our young have experienced.

The nearness of ski slopes; lakes for sailing, water skiing or fishing; beaches and public hunting grounds also means a great deal.

If a large metropolitan center with its stores, theaters, restaurants, hotels and professional sports teams is reasonably near—three or four hours' driving on a good highway—that, too, is a plus. An attitude of progress, an open society that tolerates—or even welcomes—new ideas is appealing to young adults.

Our young people's values—their emphasis on the quality of life—is a tremendous force for change, not to be completely discounted by technological data and erudite scholars.

To the kind of cities I have described, young activists and young industries will soon be going "over the hill" from the crowded, uncomfortable, often unsafe and unhealthy urban-suburban-industrial sectors of this land. The young will go because they want to; businesses because they have to—for economic and political reasons.

Indeed, where previously the man followed the job, soon the job will follow the man and his desire for a better life.

JOHN W. JOANIS, author of this article, is president of Sentry Insurance Co. of Stevens Point, Wisc., one of the nation's largest fire and casualty insurance firms.



This Month's Guest Economist

Martin R. Gainsbrugh
Senior Vice President
The Conference Board

Headed for Stagnation?

Once again, concern is being voiced about the implications and consequences of the extraordinary growth of the service industries.

In combination, trade, finance, and personal and government services account for virtually all of the rise in employment since the recession troughed last November.

We now have 43.7 million civilians in service employment, or 1.7 million more than at the onset of recession in November, 1969. Five of every eight nonfarm workers today are in services. Ten years ago the ratios were almost the reverse.

What further aggravates the uneasiness among those who contend that "it is the production of material, tangible goods that really matters" is the current countertrend of employment in manufacturing. As of May, only 18.7 million were at work in the nation's factories—about 1.5 million below the level of factory employment two years ago.

Is not this trend inimical, they ask, to the future health of the American economy? Can a nation prosper when it derives so much of its growth from intangible activities? Are not these of a lower economic order than the contributions made by farmers, builders and manufacturers, among others who produce material goods?

The answer is that tangibles and intangibles alike serve to satisfy wants. The proper medicine has value for the sick patient. But so, too, have the services of his physician. Each entails the use of scarce resources; each enhances the recipient's welfare.

And the physician's services are viewed as productive whether he is in private practice or on public payroll; so, too, is other public employment.

The economic value of distribution and of our financial institutions is now widely acknowledged, but recogni-

tion still lags for the contribution arising from personal services (health care and education are two of the nation's largest industries) and government.

During the recent strike of its police force, however, New York City sensed acutely the value of the security normally provided by government.

The growth of services, while adding to this nation's economic welfare, is not without its accompanying problems. One that has been played up of late is the inflationary implication of the continuous and steady shift to a service-oriented economy, since the service industries have little potential to offset bulging wage rates through gains in productivity.

Service industries traditionally are viewed as sectors of low productivity. Should they dominate the Seventies even more than the Sixties, the consequence, it is contended, must be significantly lower gains in national productivity and in this nation's long-term growth rate.

Offsets are emerging that discount this disturbing prospect.

1. The scale of operations is being expanded by larger enterprises' growing penetration of the service industries.

Many of our leading goods producers have entered into such consumer-oriented services as education, parking, and resort hotels and other leisure activities. They bring with them not only huge capital resources that permit economies of size in a sector that has been historically small-scale in character, but also managerial discipline and know-how.

The profit performance of such companies bespeaks the gains in efficiency involved.

2. Health care and education, currently accounting for one of every 10 jobs, are in the midst of sweeping

technological change. Tool power and capital inputs are rising markedly in both. Teaching machines and related devices, together with greater emphasis on managerial controls, should raise both the quantity and quality of educational output.

Similarly, the more widespread use of computer and advanced medical technologies promises more effective yields of manpower employed in health care.

National productivity accounting, for reasons of convenience, assumes no increase in productivity in the entire public sector.

This assumption is completely unwarranted. The public sector was among the first to develop and incorporate computer technology, sampling and cost benefit analyses.

Failure to incorporate an allowance for the higher productivity of the public employees lends an artificial downward bias to productivity estimates.

In summary, national welfare is enhanced not only by the production of goods but also by the safeguarding of savings, the insuring of lives, the lending of money, advertising, the audit of books, the restoration of health, the repair of cars, and the domestic and international security provided by government.

The rate of national productivity may have dipped a bit, reflecting the extraordinary growth of services.

But as capital inputs in the service sector rise, as managerial disciplines are more effectively employed and as better measures of output are developed for the public sector, I am hopeful that the longer-term trend of national productivity will not be adversely influenced by our progressive transformation into what has been aptly termed the post-industrial society.

Editorial

As Ye Sow

Years ago, seasonal editorials were much in vogue—a patriotic theme for July 4; a Ho, Ho, Ho for Christmas; and, of course, a harvest theme for October. So:

This year we are indeed reaping the economic harvest of the whirlwind of inflation. The fruit of our profligacy is bitter.

So perhaps it would be better to look ahead to future harvests.

The President proposes a job development credit to give more people work. Critics call it a tax giveaway to business. You'd think even they would understand you must have seed to plant in order to create growth.

Hopefully there are enough members of Congress with enough understanding to provide the seed corn so that next harvest season we'll have a bumper crop of jobs rather than the specter of famine.

How to get lucky with life insurance costs

**The kind of helpful inventiveness
you get from Continental Assurance and
your independent insurance agent**

In the "getting started" years of a young family or a young business life insurance needs may exceed life insurance budgets. So, Continental Assurance invented ways for you to buy full values now at about 50% of the ordinary premium through our Pacer X plan, for example. Or Classic III, with an unusual use of the dividend to maximize protection. Products of insurance inventiveness—the reason insurance pros choose Continental Assurance over 1800 other life insurance companies.



Continental ^{Life} Assurance

No. 1 choice of insurance pros



CONTINENTAL ASSURANCE CO. ALL FORMS OF LIFE, HEALTH, RETIREMENT AND GROUP INSURANCE PLANS, CHICAGO, ILLINOIS 60604 © 1971 a CNA Insurance Service

Premium features...

standard in Ford's Louisville Line for more roadtime, less downtime



PREMIUM DRIVER BENEFITS

Comfortable, roomy cabs are designed to improve driver morale and efficiency; heavily insulated and cushioned to minimize noise and vibration. Optimum comfort space is provided in the important areas of floor-to-roof height, legroom, and shoulder room. **Adjustable steering column** maintains best angle. Entire column rolls 4 inches fore and aft on low-friction balls. Steering wheel remains at a 20° angle—the best for driver comfort.

A Ford exclusive on L-Line linehaulers. **Cockpit instrument panel** communicates fast. Instruments are grouped by type. Hand-operated controls can be identified by "feel." **E-Z Read**

Gauges on L-Line linehaulers show normal at "3 o'clock."

One quick glance lets the driver check alignment of all gauge pointers. **Premium-size windshield** is 1,515 sq. in., big

to give driver a great outlook. **Wide-track front axles** with large wheel-cut angles give tight turning diameters, save maneuvering time.

PREMIUM RELIABILITY

Ford's exclusive deep-dip Electrocoat prime paint process electrically bonds anti-corrosion primer to cab and sheet-metal areas ordinary sprays can't reach. Provides superior protection. **Premium-steel, single-channel frames** give strength equal to or greater than multiple-channel designs and reduce weight by hundreds of pounds.



Cross-flow radiator allows increased core

area for improved cooling. **First truck-type power steering pump** operates at low speed for reduced wear, longer belt life. **Cyclopac® dry-type air cleaner** traps up to 99.9% of fine particles. **SplitAir brakes** provide reserve system. Truck can be stopped in the event of air loss in either primary or secondary system. A Ford exclusive. **Double-layered nylon air tubing** is more pliable and abrasion resistant than materials ordinarily used.



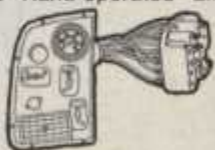
PREMIUM SERVICEABILITY

Full-tilt, steel-reinforced fiberglass hood/fender assembly provides easy engine access, "feet-on-the-ground" engine servicing. Is about 40% lighter than steel. **Color-coded nylon air tubing** speeds tracing with a different color for each air-line system. **Four electrical junction blocks** at strategic



points cut electrical test time, simplify testing or adding circuits. **Check-at-a-glance radiator sight gauge** permits checking coolant level without removing radiator cap. **Air-Pac control** is serviceable as a unit. Hand-operated air

controls are conveniently clustered in one removable panel section.



PREMIUM CHOICE

Up to 600 models, medium- through extra-heavy-duty, permit custom fitting of truck to job. **30 gas and Diesel engines** to 335 hp.

The big ones with the better ideas

FORD HEAVY-DUTY TRUCKS

